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FEBRUARY, 1979

LATIN AMERICA, 1979

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Current History

FEBRUARY, 1979

VOL. 76, NO. 444

How have the Latin American countries reacted to the United States criticism of human rights violations? How stable are their governments and economies? In this issue, eight articles deal with these questions. As our introductory article points out, "The human rights effort might be compared to the Peace Corps, a humanitarian program launched by the Kennedy administration in 1961. Both confer limited benefits on the recipient countries. But the prime beneficiary is the United States."

The United States and Latin America: The Challenge of Human Rights

BY GEORGE W. GRAYSON

Professor of Government, College of William and Mary

ON June 16, 1978, United States President Jimmy Carter and Panama's Brigadier General Omar Torrijos Herrera exchanged the instruments of ratification for two treaties that would give the Republic of Panama control over the Canal by the year 2000 and assure the permanent neutrality of the waterway.¹ After the ceremony, the two leaders attended a rally at Fifth of May Plaza in downtown Panama City. There they encountered a noisy, enthusiastic crowd of 200,000, many of whom had been

¹The most comprehensive analysis of recent U.S. policy toward Latin America is Abraham F. Lowenthal's "Latin America: A Not-So-Special Relationship," *Foreign Policy*, no. 32, fall, 1978, pp. 107-126. See also, Carlos A. Astiz, "U.S. Policy and Latin American Reaction," *Current History*, vol. 74, February, 1978, pp. 49-52, 89; and Gordon Connell-Smith, "Latin America and the Carter Administration," *Bank of London and South America Review*, vol. 12, June, 1978, pp. 288-296.

²Public opinion surveys revealed a sharp division of opinion on the treaties. In September, 1977, the Associated Press reported that treaty opponents (50 percent) outnumbered supporters (29 percent) by a wide margin, with 21 percent of the respondents volunteering no opinion (*Facts on File*, October 8, 1977, p. 755); a Gallup Poll conducted in early 1978 showed that 45 percent of those interviewed favored the accords, 42 percent opposed them, and 13 percent had no opinion. The strongest opposition (48 percent) came from the south, which awarded the President the bulk of its electoral votes in 1976 (*The Gallup Opinion Index*, April, 1978, p. 22). Support for the treaties became a salient issue in the campaigns of three Democratic Senators (Dick Clark, Floyd Haskell, and Thomas McIntyre) who failed to win reelection on November 7, 1978. The issue also loomed large in the successful campaigns of two Republican incumbents (Howard Baker and Charles Percy).

bused in by the government and given a T-shirt with Carter's beaming face on the front and Torrijos's on the back. The carnival-like atmosphere touched five special guests from democratic nations—the Prime Minister of Jamaica and the Presidents of Colombia, Costa Rica, Mexico and Venezuela—who flashed smiles as they waved to the masses. Few observers seemed to notice the fresh paint that covered "Carter Go Home!" slogans that had adorned surrounding walls and buildings the day before.

Cheers greeted President Carter's pledge that the treaties infused "new life into old principles—principles of peace, nonintervention, mutual respect and cooperation." "Let us," he added, "build a hemisphere in which citizens of every country are free from torture and arbitrary arrest, free to speak and write as they please, free to participate in the determination of their own destiny."

President Carter has given more than rhetorical attention to Latin America. He made ratification of the Canal accords his first priority in foreign affairs, even though the treaties proved costly in terms of his popularity, his leverage with the Senate, and the electoral success of his political allies.²

He also tendered an olive branch to Cuban Premier Fidel Castro. He removed restrictions on travel by United States citizens to Cuba; signed a fishing agreement with that nation; and strengthened ties with admirers of Cuba like Prime Minister Michael Manley of Jamaica, who was regarded with suspicion by the administration of United States President Gerald Ford. He also agreed to the opening of "in-

terest sections" in Washington, D.C., and Havana, in the Czech and Swiss embassies, respectively. Still, the continued presence of Cuban troops in Africa complicates the full normalization of relations between Washington and Havana.

Increased United States interest in Latin America is reflected in the visits to the region by key United States leaders. President Carter himself has traveled to Venezuela and Brazil. Even before her husband had taken the oath of office, Rosalynn Carter went to Mexico City for the December, 1976, presidential inauguration of José López Portillo. The next spring, she toured seven Caribbean and Latin American nations, earning high marks for her knowledge of the area and its problems. In 1977, United Nations Ambassador Andrew Young visited 10 countries in the Caribbean, a formerly neglected region which, as a "third border" of the United States, looms increasingly important as an exporter of primary products and illegal aliens. Terrence A. Todman, Carter's first Assistant Secretary of State for Inter-American Affairs, visited every country in Latin America before leaving that post in 1978.

Latin American leaders have also found their way to the United States. The first Head of State to visit the White House after President Carter's inauguration was Mexico's López Portillo. A few months later, a virtual "hemispheric summit" took place, when 16 Latin American Presidents and Prime Ministers flocked to Washington, D.C., to witness the final signing of the Panama Canal treaties, which the Senate ratified on September 16, 1977.

President Carter made a comprehensive statement of United States policy toward Latin America in an April 14, 1977, speech to the General Assembly of the Organization of American States (OAS). In this message, he pledged to "develop policies more suited to each nation's variety and potential" instead of treating the hemisphere as a monolith. Further, he promised attention to great issues, many of which are global rather than regional, affecting relations between developed and developing nations. Specifically, he cited (1) financial support for buffer stocks to stabilize commodity prices; (2) the reduction in trade restrictions and, wherever possible, preferred access of exports from less developed countries (LDC's) to industrial nations; (3) the transfer of science and technology; (4) full funding for the Inter-American

Development Bank and other multilateral lending agencies; and (5) increased bilateral economic assistance to poorer countries.³

HUMAN RIGHTS

Despite these essentially economic goals, the dominant feature of President Carter's policy toward Latin America has been a commitment to human rights. As the President expressed it in his speech to the OAS:

Our values and yours require us to combat abuses of individual freedom, including those caused by political, social, and economic injustice. Our own concern for these values will naturally influence our relations with the countries of this hemisphere and throughout the world. You will find this country, the United States of America, eager to stand beside those nations which respect human rights and which promote democratic ideals.⁴

According to President Carter, his concern for human rights derived from a disdain for the secretive practices of policymakers and their readiness to deceive the American public in the name of national security. He particularly scorned the pragmatism of former Secretary of State Henry Kissinger, who seemed especially tolerant of military despots in Argentina, Brazil and Chile.

During the second presidential debate, held on October 6, 1976, Democratic party nominee Carter had declared:

I've seen at first hand, in a very vivid way, the deep hurt that's come to this country in the aftermath of Vietnam and Cambodia, Chile and Pakistan, and Angola and Watergate, the CIA revelations.

What we were formerly so proud of—the strength of our country, its moral integrity, the representation in foreign affairs of what our people or what our constitution stands for—has gone. And in the secrecy that has surrounded our foreign policy in the last few years, the American people and the Congress have been excluded.

His own strongly held religious convictions no doubt nourished his emphasis on morality in fashioning and conducting foreign policy. A reaction against the excesses of the Vietnam War, the imperial presidential styles of Lyndon B. Johnson and Richard M. Nixon, and the malaise of Watergate may have contributed to growing popular support for an active human rights policy.⁵

What are the most effective means of advancing human rights? During his campaign, President Carter was prone to deliver ringing indictments of wrong-doers, evoking the image of a Bible-pounding evangelist determined to shut down saloons, brothels and other dens of iniquity. The critical reaction that this lack of tact provoked led to a more restrained approach toward Latin America. Since Jimmy Carter entered the White House, there have been few public denunciations of specific regimes. Instead, the admin-

³Department of State Bulletin, May 9, 1977, pp. 454-455.

⁴Ibid., p. 454.

⁵Fifty percent of Americans advocate "standing up for human rights in undemocratic countries" as an important foreign policy goal. By a 50 to 29 percent margin, the public opposes aid for countries like South Korea, which, even though essential to our defense, are understood to suppress human rights; see Daniel Yankevich, "Cautious Internationalism: A Changing Mood Toward U.S. Foreign Policy," *Public Opinion*, March/April, 1978, p. 16.

istration has pressed its views in bilateral contacts and through international bodies like the Inter-American Human Rights Commission (IAHRC), a specialized agency of the OAS created in 1960. President Carter's policy has resuscitated IAHRC, which spent its first few years probing complaints against Rafael Trujillo in the Dominican Republic and Fidel Castro in Cuba. In 1977, Secretary of State Cyrus R. Vance proposed an increase in the commission's budget and urged all OAS members to grant the body free access to their territories so that it could carry out its mandate. For the first time, the United States agreed to such access.

The IAHRC must receive permission from a suspect nation before it can dispatch a panel for on-site investigations. Refusal to receive an investigating team raises an informal presumption of guilt, and several military regimes—Panama and El Salvador, for example—have allowed commission visits. Other countries have refused on-the-spot probes. Paraguay and Uruguay deny that atrocities have taken place in their countries, but justify tight security measures because of terrorism and "cruel invasion by guerrillas." Most recently, Nicaragua's President Anastasio Somoza Debayle permitted an investigation that turned up damaging evidence concerning his National Guard. One OAS investigator described the 7,500-man force, which had recently decimated the opposition in a short-lived civil war, as an "occupying army."⁶

The United Nations has served as another forum for U.S. initiatives. In late 1977, Washington co-sponsored a U.N. motion condemning Chile.

The United States has not confined itself to moral suasion. Its interest in human rights has struck a responsive chord on Capitol Hill, and Congress has at times championed a more expansive approach than the White House. For example, in January, 1978, the President signed a 26-page executive order that reorganized the federal intelligence agencies and specified restrictions on their activities. A few weeks later, the Senate Select Committee on Intelligence successfully proposed legislation that barred covert operations that aided and abetted the security forces of repressive regimes or were "likely to result in assassination, terrorism, torture, the mass destruction of property, creation of food or water shortages, or

⁶*Latin America Political Report*, October 13, 1978, p. 317.

⁷The action reportedly sparked an intense debate among Washington officials. Assistant Secretary Todman along with representatives of the Agency for International Development and the Department of Defense reportedly favored the loans on the ground that the economic well-being of the Chilean people was a "human right" as important as some political rights. Mark Schneider, a deputy coordinator for human rights, led the human rights proponents. Deputy Secretary of State Warren M. Christopher, who chairs the Inter-Agency Group on Human Rights and Foreign Assistance, is believed to have made the final decision.

epidemic, the overthrow of democratic governments. . . ."

The State Department has taken human rights into consideration in dispensing aid. In mid-1977, two loans to Chile were held up "to see what changes might develop in the human rights situation. . . ."⁷

On April 24, 1978, the President signed a bill renewing for three and one-half years the Overseas Private Investment Corporation, a federal agency that insures United States firms investing in developing countries against the risks of war, expropriation, and the inability to convert currency. The legislation prohibits assistance to projects in countries that violate human rights unless United States national security interests are adversely affected or unless the project would "directly benefit the needy people" of the country. The Export-Import Bank, which makes loans to foreign countries for the purchase of United States goods and services; also takes human rights into consideration in extending credits.

Congress now requires United States representatives to the World Bank and five other international lending institutions to oppose any loan to a country that violates human rights "unless such assistance is directed specifically to programs" to aid the poor. In mid-1977, United States Treasury Secretary W. Michael Blumenthal told the Board of Governors of the Inter-American Development Bank that the administration would seek "substantial" new contributions, but that Congress would want assurances that the funds were reaching the needy and that preferences were given to countries that "respect and promote human rights." Antonio Ortiz Mena, the Bank's president, joined governors from military regimes in openly criticizing this effort to link economic questions to human rights.

Human rights advocates have made military aid a prime focus of their activities. Over the years, the United States has been excoriated for selling armaments and other military equipment to Latin America. These sales, which buoyed the United States balance of payments, were justified on security grounds. One paunchy, bemedalled dictator after another would swear his opposition to communism as shipments of tanks, rifles, and ordnance were unloaded. Yet only one major conflict—the Chaco War of 1932-1935—has taken place between Latin American nations in this century, and the prospect of an attack from extra-hemispheric forces is increasingly remote. Instead, the generals have often used the "Made in USA" weapons to subdue students, peasants, union activists and other "pro-Communist" adversaries.

Lest the United States continue to be the arsenal of reaction, President Carter has sharply curtailed military aid to anti-democratic regimes. On September 26, 1978, the chief executive signed legislation that

prohibited such assistance, including the sale of police equipment, to any nation that has consistently violated human rights, unless the Secretary of State certifies that "exceptional circumstances" necessitate the aid.

Largely because of the United States human rights commitment, foreign military sales credits have fallen precipitously, from \$319.6 million in FY1974, to \$145.6 million in FY1976, to \$73 million (proposed) in FY1978.⁸ Meanwhile, Military Assistance Advisory Groups, through which United States officers advised their Latin American counterparts, have been phased out. The amount expended under this program has fallen from \$8.5 million in FY1974 to \$500,000 in FY1978.⁹

A decision by Argentina, Brazil, Uruguay, El Salvador and Guatemala to forgo United States aid rather than submit to scrutiny on human rights has spurred the decline in credits.¹⁰ The same motivation no doubt contributed to a drop in enrollment from approximately 1,700 in 1977 to 901 in 1978 in the School of Americas, a United States Army-operated facility at Fort Gulick in the Canal Zone, whose offerings range from short-term management seminars to a 42-week command and general staff course. Seven countries—Brazil, Chile, El Salvador, Guatemala, Haiti, Mexico and Uruguay—failed to send a single student last year.¹¹

OBSTACLES TO A HUMAN RIGHTS POLICY

Carter's human rights policy has not enjoyed universal acceptance, even in the United States. And in the State Department's Bureau of Human Rights and Humanitarian Affairs—the agency with prime responsibility for the program—there are only some 40 employees. At times, the Bureau finds itself at odds with United States ambassadors, who are skeptical about advancing human rights in foreign lands. In

⁸Telephone interview with Lieutenant Colonel Stuart M. Quigg, Political-Military Affairs Officer, Inter-American Region, November 15, 1978.

⁹*Ibid.*

¹⁰*New York Times*, July 1, 1978, p. A-2.

¹¹*Ibid.*

¹²*Latin America Political Report*, April 14, 1978, p. 105.

¹³A respected British publication insists that "the most important decisions affecting Latin America will continue to be taken by the Treasury and Commerce departments, rather than the State Department." This conclusion is based on the U.S. decision to sell tin stockpiles in order to finance United States support for copper prices. The tin sale threatened General Hugo Banzer's erstwhile democratization plan in Bolivia, which on November 24, 1978, suffered its 184th coup in 153 years of national independence, and the bolstering of copper prices benefited the notorious Pinochet regime in Chile. Reportedly, the State Department's Bureau of Inter-American Affairs was not consulted on either move; see *ibid.*, p. 105.

¹⁴*The Washington Post*, August 1, 1978, pp. A-1, A-9.

¹⁵*Latin America Political Report*, October 27, 1978, p. 332.

fact, former Assistant Secretary of State Todman consistently opposed sanctions against human rights violators.¹² Misgivings also abound in the Pentagon, the Export-Import Bank, the Central Intelligence Agency, the Treasury Department, and the Department of Commerce.¹³ Nonetheless, these agencies—sensitive to presidential priorities—have acquiesced in the policy. Less pliant have been the multinational corporations and major international banks, which have often staunchly defended military governments.

Latin American nations are among the world's most debt-ridden. Notable are Brazil (\$31.2 billion) and Peru (\$4.17 billion). In each case, United States, European, and Japanese banks account for the bulk of the indebtedness. Anxious to safeguard their stockholders' interests, these financial institutions—sometimes through Treasury Department contacts—urge the bitter medicine of stabilization and austerity regularly prescribed by the International Monetary Fund. The treatment, designed to assure convertibility of the country's currency, typically entails devaluation, wage controls, higher taxes, reduced food subsidies, and a curtailment in social programs as part of a reduction in government spending. The upshot is often press criticism, protests and strikes, to which the generals-turned-politicians respond with strong-arm measures.

Most congressmen have backed the cause of human rights. But there have been exceptions. A case in point is the so-called "Nicaragua lobby," headed by Texas Republican Charles Wilson, which enthusiastically supports the Somoza dictatorship. In mid-1978, the lobby played an instrumental role in releasing \$12 million in food and educational assistance withheld since early 1978 because of Nicaragua's deplorable human rights record. Reportedly, Wilson and his colleagues also inspired a letter President Carter sent to Somoza in mid-July, praising him for recent pledges to improve his government's commitment to human rights.¹⁴

Somoza's National Guard committed heinous acts during the course of a civil war that erupted in September, 1978. When urged to resign, the despot responded in language reminiscent of a 1930's gangster film: "If they want me," he said, "they'd better come in and get me."¹⁵ The defiance of the 53-year-old West Point graduate was backed by millions of dollars worth of weapons provided over a period of four decades by the United States and by military equipment recently supplied by Israel.

The fact that the United States is a democracy inhibits its all-out support of ideological goals in international affairs. The Soviet Union would waste little time in ousting an objectionable leader in a small nearby state. Yet the very currents that gave rise to Jimmy Carter's human rights policy—disfavor of the excesses of the Indochina War, Watergate skulldug-

gery, and the arrogance of a Democratic and a Republican President—militate against public acceptance of United States military involvement in Central America.¹⁶

The support of human rights finds limited backing among Latin American heads of state. Nations like Costa Rica, Venezuela and Jamaica championed the cause even before Jimmy Carter's election. Colombia, the Dominican Republic, Mexico and the English-speaking countries of the Caribbean have also voiced support for the policy. But needless to say, the 13 Latin American nations dominated by the military do not share this enthusiasm.

SUCCESSES

Proponents of human rights count a number of successes. In Brazil, there has been a drop in reports of police brutality, an apparent cessation of torture, and a decline in censorship—except of the electronic media. Despite myriad abuses in Nicaragua, General Somoza lifted press controls, at least during the visit of the OAS Human Rights Commission, and he has tentatively agreed to abide by the outcome of a national plebiscite.

In 1978, Peru's military regime permitted the election of a 100-member constituent assembly as a major step toward the return to civilian rule. Ecuador's generals and admirals sponsored elections on July 16, 1978. Two months later, all members of Ecuador's national electoral court resigned because of massive fraud. This situation delayed the designation and installation of a civilian chief executive. However, local officials chosen in the mid-summer balloting were allowed to assume office. On November 15, 1978, Brazil's ruling generals permitted the direct election of a Congress which has increased responsibilities and powers. Even Chile's General Augusto Pinochet has promised military support for open elections sometime in the next decade.¹⁷ Meanwhile, General Alfredo Stroessner, Paraguay's redoubtable leader, has released over 50 prisoners and the population of his Emboscada prison camp is reportedly below 100 for the first time.¹⁸ Bolivia and Haiti have also freed political prisoners.

Even more encouraging were events in Mexico,

¹⁶For this point, I am indebted to Professor David F. Gordon, a colleague in the Department of Government, College of William and Mary.

¹⁷The exceedingly tentative plans of Chile's generals for a political "transition" are discussed in *Ercilla* (Santiago), September 19, 1978, pp. 8-10.

¹⁸*Latin America Political Report*, June 16, 1978, p. 182.

¹⁹*Ibid.*, October 27, 1978, p. 332.

²⁰The other nations which have ratified the document are Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Panama and Venezuela. See *Keesing's Contemporary Archives*, August 18, 1978, p. 29145.

Panama and the Dominican Republic. The Mexican government, which for years refused to admit to the existence of political prisoners, last year released 157 from jail.¹⁹ President López Portillo has also sponsored political reforms to give opposition parties, including the recently recognized Communists, a more important role in Mexico's comparatively free political system.

In Panama, the October, 1977, nationwide plebiscite on the Canal treaties proceeded in a fair and orderly manner under the vigilant eye of U.N. observers. Only a handful of complaints were registered as two-thirds of the 788,000 Panamanians who cast ballots endorsed the treaties. This was the first free election held in the Isthmus Republic since 1968, when a President was elected only to be overthrown within a few days by the National Guard.

In the Dominican Republic, recriminations and rumors of a coup d'état filled the air as voters flocked to the polls to choose a national leader. But threats of violence abated by August 16, 1978, when Antonio Guzmán donned the presidential sash. His inauguration marked the first peaceful transfer of power between constitutionally elected governments in his country's 157-year existence.

The United States made clear its support of the democratic regime in the Dominican Republic by sending high-ranking representatives to the swearing-in ceremonies. Headed by Secretary of State Vance, the official party included Ambassador Andrew Young and General Dennis McAuliffe, chief of the United States Army's Southern Command in the Panama Canal Zone. The presence of the distinguished military officer showed the Dominican Republic's occasionally restive army that the United States stands behind the Guzmán government.

Another encouraging sign was the ratification of the 1969 Inter-American convention on human rights, which forbids the torture and abuse of prisoners, guarantees freedom of expression and religion, and provides for the establishment of a human rights tribunal. The convention entered into force on July 18, 1978, when Grenada, the newest member of the OAS, became the eleventh signatory.²⁰

ANALYSIS

President Carter's human rights policy has had a clear impact in Latin America. Dictators have grudgingly freed political prisoners and have reduced the

(Continued on page 87)

George W. Grayson is the author of a study of Chilean politics entitled *El Partido Demócrata Cristiano Chileno* (Buenos Aires: Editorial Francisco de Aguirre, 1968) and has written a number of articles for scholarly journals. He lectures at the Foreign Service Institute of the Department of State.

"Those who visited Cuba in the last weeks of 1978 advance the theory that the new nationalistic-Marxist posture of the Cuban revolution could lead Havana to review all its policies from the standpoint of nationalist Cuban interests, rather than viewing them exclusively through the Soviet prism of a Marxist-Leninist world outlook."

Cuba Twenty Years Later

BY GEORGE VOLSKY

Research Associate for the Center for Advanced International Studies, University of Miami

CELEBRATING her twentieth anniversary on January 1, 1979, Socialist Cuba can claim to have attained revolutionary authenticity and maturity, a degree of international respect, and a standing in the Communist bloc and the rest of the world far in excess of her size, population and economic wealth. On January 2, 1959, when Fidel Castro, then 33 years old, seized power, he and his equally youthful colleagues had no experience in governing, in economics or in world politics. Castro's ideas were amorphous and often outlandish, but he had a receptive audience in Cuba. The revolutionary leader proclaimed his views on every subject under the sun and his opinions were as fresh and provoking as they were haphazard.

Because Castro is a charismatic leader and an excellent speaker with a mellifluous voice, he soon established a hold on the population and gained the right to decide Cuba's destiny. As his ideas changed, the course of the revolution veered sharply leftward. For a while, the majority of the population followed him blindly. When he became unsure of sizable popular support, he gave a carefully trained security apparatus a free hand to squash every sign of unrest and opposition.

Cuba became a police state, with omnipresent vigilantes—the Committees for the Defense of the Revolution—becoming multimillion big brothers watching over every activity and thought of the remaining citizens. Later, tough controls were inbred into the educational system. Recently, as the revolution clearly passed the point of no return, police controls became much less visible, and possibly unnecessary. Most Cubans are thoroughly enmeshed in the web of the bureaucratic apparatus of the Communist state which, with substantial Soviet aid, functions and gives no sign of weakening.

Twenty years later, Cuba's leaders, who by and large have been the leaders since 1959 (Ernesto Ché Guevara, who left Cuba for greener pastures and died for his own ideals and "maximum leader" position, is the only major exception), have become more sophisticated and more secure. They proclaim that the

Cuban revolution is irreversible and point to the almost universal acceptance of the Havana regime. Only recognition by the United States has eluded them. But even in this aspect, they detect a change for the better; they say that Jimmy Carter is the first United States President in 20 years who has come to accept the existence of a Communist state next door to the United States and who has not—at one time or other (like his predecessors)—carried out or contemplated hostile action against Cuba. The Carter administration has given Cuba a semi-official imprimatur, opening its State Department's Special Interests Section in Havana, while the Cuban government established a similar office in Washington, D.C.

The twentieth anniversary found Cuba on the far left, far from Castro's sociopolitical and economic viewpoint when his revolutionary government came to power. At the same time there are signs that the direction of the country could be changing. One fact dominated the scene: Socialist Cuba was there to stay. The revolution, Castro has stated on several occasions, was firm as a rock. In twenty years, the revolutionary government has built and educated a new society, entirely different from the society that had been molded by centuries of colonial domination and 50 years of Republican rule. But Cuba was not truly independent. She could not subsist without enormous economic aid from the Soviet Union, or from another large power. While the 1959 dreams of total economic independence still escape Cuba, the revolutionary government has created a *sui generis* political and social system that works and that has acquired a motion of its own.

Cuba's system is eclectic: it has retained the Latin caudillismo and has borrowed features from most Communist countries. Fidel Castro continues to be the embodiment of Socialist Cuba, although the system is undoubtedly strong enough to survive without his presence, which might not have been true in the first ten years of the revolution.

The economic history of Socialist Cuba in a way confirms the premise of Murphy's Law. The Cuban government made every mistake made by other social-

ist regimes. Its early promises of self-sufficiency and explosive socioeconomic growth based on ascending exportable production have been abandoned. There is a painful realization that Cuba—especially when energy is so expensive—is essentially a poor country that, for the rest of the century at least, will have to depend on foreign aid.

In the early 1960's, President Castro confidently predicted that by 1980 every family in Cuba would own a house or an apartment, own a motorcar or at least a bicycle and have a refrigerator full of varied, nationally grown and unrationed foodstuffs. Cubans, he used to say, would be working six hours a day, and even the "campesinos" would have tractors with air-conditioned cabins.

These optimistic statements are no longer part of Cuba's lexicon. Several years ago, they were attributed to mistakes of a period of "apprenticeship, subjectivism and volunteerism" through which Cuban leaders, presumably including Castro, had to pass to reach economic maturity.

Cuba's failure to produce ten million tons of sugar in 1970 woke Cuban leaders to economic reality. One result of the failure to achieve the ten-million-ton target was the abandonment of the policy of material incentives, which had been pursued with vigor for almost ten years. The Arab oil embargo and the increase in the price of petroleum products were just as important as the failure of the ten-million-ton harvest in changing Cuba's economic policy. Cuba receives virtually all the oil she consumes from the Soviet Union and maintains that the socialist system is impervious to capitalist crises. But the oil crisis made Cuban leaders realize the degree of global economic interdependence. They saw world prices of sugar and nickel, Cuba's two principal exports, decline drastically and watched the prices of industrial products Cuba buys in the Western world climb steadily.

Late in December, 1977, Fidel Castro offered one of his bluntest long-range economic assessments. In 1978, he said, Cuba would consume 9.5 million tons of petroleum, worth \$900 million. He noted that because prices of sugar have "decreased brutally and those of raw materials and spare parts have gone up," until 1985 "we cannot talk about improving standards of living, only about consolidation of what we have. . . . This generation has to make sacrifices."

The outlines of the 1980-1985 economic plan are now being studied in Havana. If the performance of the 1976-1980 plan is any indication, the plan will have to be modest, with realistic production goals taking into consideration the effects of the worldwide inflationary process. In the 1970-1975 period, according to Havana, Cuba's economy grew at an annual rate of 10 percent, a claim that many Western econo-

¹Granma, Havana, January 2, 1978.

mists regarded as exaggerated. In the five years ending in 1980, the government projects an annual growth rate of 6 percent. The lack of meaningful data makes it difficult to verify Cuba's economic performance. But some experts believe that by 1980, because of unexpected inflationary pressures, the five-year real growth rate might reach only 3 percent per annum. It is believed—and Havana has not claimed otherwise—that Cuba's perennial problem of low productivity has not been solved. Neither is there a great national effort to conserve resources, domestic or imported. Soviet aid is taken for granted, something that Castro denounced in December, 1977, saying that "our cadres have no export mentality, only import mentality."

These days, Cuban leaders talk more and more about the rentability of enterprises. They stress the fact that all unprofitable state entities will be overhauled. This portends a price increase in many consumer goods, the elimination of free services and the possible large-scale demotion of inefficient middle-level state managers and administrators. There are also signs that the government will modify its economic decrees, which have prohibited private production, except in a strictly controlled part of the agricultural sector. Heretofore, in effect, government supervision of commerce and services in Cuba has probably been greater than in all other Communist countries. In Cuba, for example, there are no "free markets" for privately grown agricultural products, the sale of which was at one time forbidden in Cuba.

Late in 1978, however, several changes were observed in the economic field. The conversion of the land in private hands into state property has slowed if not stopped. And, more important, many people in the service sector—tailors, plumbers, auto mechanics, carpenters—were allowed to operate freely, or at least the authorities chose to overlook their activities. There were hints that government planners were ready to recommend the adoption of a modified Polish model for the service and light industry sectors: an entrepreneur would be allowed to employ up to five persons, including members of his or her family, in productive or service chores.

In 1978, Cuba produced 7.3 million tons of sugar, the second largest sugar harvest in her history, and plans call for an output of 8.5 million tons by 1980. This, in turn, guarantees that in the foreseeable future Cuba will continue to have a one-crop economy, with sugar providing more than 85 percent of her foreign earnings. About half Cuba's total sugar production (as well as nickel production) will continue to be exported to the Soviet Union. Under an agreement signed in 1976, the Soviet Union pays 25 percent of the price of Cuban sugar in hard currency, applying the rest to Havana's growing debt. According to estimates made by United States experts, the Cuban

debt will reach the \$10-billion mark in 1979. Moscow has deferred payments until 1986, at which time the total may exceed \$15 billion. Obviously, the Soviet Union cannot hope to recover that sum, or even to collect interest payments, which at 3 percent would amount to \$450 million annually. (Military assistance to Cuba, which is substantial, is given by the Soviet Union free of charge.)

Entering its third decade, Socialist Cuba is making a concerted effort to resume commercial relations with the United States. Ostensibly, Cuban leaders are only talking about lifting the American economic embargo, imposed in 1962. But Havana hopes to obtain large, long-term development loans from United States lending institutions and to resume sugar shipments to the United States. While few diplomatic observers believe that there will be full resumption of commercial and diplomatic relations between Cuba and the United States in 1979, partial resumption is a distinct possibility. According to officials of the Department of Commerce, Cuba would provide a market for the annual import of \$350 million in American goods, mainly agricultural equipment and technology, computers, industrial machinery, medicines and spare parts. In the long run, such trade would diminish Cuban reliance on Soviet-made equipment and would lower the Soviet bloc's share of Cuba's total commerce. But it is uncertain how the resumption of trade with the United States would affect Cuban trade with other Western countries. In 1979, Cuba owed an estimated \$1.5 billion to Western banks, and repayment of interest and the principal accounted for more than half the country's modest hard-currency earnings.

CUBA'S INVOLVEMENT IN AFRICA

The main obstacle to Havana's resumption of relations with Washington continues to be the Cuban involvement in Africa. But this involvement, having apparently peaked in 1978, seemed to be stabilizing if not diminishing, and was certainly becoming more technical and administrative.

At the beginning of 1978, the Cuban military presence abroad had practically doubled, compared to the previous year. In December, 1977, and in January, 1978, thousands of Cuban regular airmen and soldiers were sent to Ethiopia, then fighting, and apparently losing, against Somali guerrillas and army troops in the Ogaden Desert. Initially, the Cubans undertook the training of Ethiopian tank crews, artillery men and pilots. But when they were unable to train the Ethiopians in the use of Soviet weapons, which were arriving in Ethiopia from the Soviet Union, the Cuban instructors took over the fighting themselves. In late February and in March, according to Castro,² "medium sized" units of the Cuban Revolu-

tionary Armed Forces were sent into the Ogaden battle. Their intervention proved decisive.

Cuba did not withdraw her forces from Ethiopia after the victorious Ogaden campaign. For a while it seemed that the Cubans might be involved alongside the Addis Ababa forces in their struggle against guerrillas in Eritrea. But despite Ethiopian pressure, the Havana government decided not to participate massively, if at all, in the Eritrean fighting. That decision was apparently communicated to Ethiopian strongman Lieutenant Colonel Mengistu Haile Mariam by President Castro, who visited Addis Ababa in September. During the same trip, Castro met with Rhodesian black nationalist leaders Robert Mugabe and Joshua Nkomo. Cuban soldiers are training Rhodesian guerrillas in Zambia and Mozambique, but the scope of that involvement has not been documented.

According to State Department figures, there are 45,000 Cubans in 13 African countries, including 20,000 soldiers in Angola and 16,000 in Ethiopia. Close to 7,000 Cuban civilians—physicians, nurses, technicians, engineers—are also working in African countries. Western intelligence sources estimate that in the last three years about 1,500 Cubans were killed and over 4,000 were wounded in Africa. There are few reports about the performance of Cuban soldiers in Ethiopia and, before that, in Angola, where they faced obviously inferior troops.

At the end of 1978, the Havana government realized that there were limits to the possibility of Cuba's military expansion in Africa, just as 1970 marked the end of the illusion of Cuba's economic self-sufficiency and viability. Without admitting it, Havana has been affected by criticism abroad, and possibly at home, over its African adventure. Even Cuba's best friends were asking the question: did Cuban troops go to Africa as a result of the free, sovereign decision of the Havana government, or because Moscow forced Fidel Castro's hand? Obviously, 45,000 Cuban troops could not operate in a dozen African nations for any length of time without massive Soviet logistic support. While the Soviet Union, with Cuban manpower, was advancing its strategic interests in Africa, Cuba was receiving little in return for her effort, except the satisfaction of maintaining friendly governments in power.

Although Cuban soldiers and technicians were generally well accepted in the countries where they were stationed, the governments of other African countries were less enthusiastic. Opposition to the Cuban military involvement in Africa surfaced at the July, 1978, meeting in Belgrade of 85 nonaligned countries. A number of third world nations sharply criticized Cuba for her military presence in Africa, which they attributed to Havana's subservience to Moscow. Some 30 nations threatened to boycott the September, 1979, conference of third world countries

²Granma, Havana, March 26, 1978.

in Havana, which the Cuban government is planning to turn into a lavish affair. To minimize foreign criticism, at the end of 1978 Havana began emphasizing the technical assistance Cuba was giving to African countries. At the same time, thousands of Africans were traveling to Cuba to receive technical training. Some Cuban officials were suggesting that in time the transfer of Cuban technology to Africa could prove to be profitable for the Havana regime.

PARTY CONTROL

One aspect of Cuba's polity that seemed to have reached a plateau was the top structure of the government and the ruling and only legal political party, the Communist party of Cuba. With a population of almost 10 million, Cuba has slightly more than 200,000 party members, who are in effect the country's political and social elite. They occupy the highest posts in the country, receive special perquisites, and are able to travel abroad. The party's highest organ is its 13-member Political Bureau, headed by first secretary Fidel Castro. Castro also heads the 11-member Party Secretariat and is first among equals in the Central Committee, which has some 100 members. Lower in the pyramid-like party structure are 14 provincial and 169 municipal committees, which supervise a larger number of basic party cells in virtually every center of work and in military units above company level.

Under the 1976 constitution, Cuba has a three-tier government structure: municipal, provincial and national. Municipal assemblies, elected directly by all Cubans 16 years of age or older, have power over education, health and cultural matters, and over local industries. The members of provincial assemblies are chosen from among the delegates to the municipal assemblies. Both bodies, which meet infrequently, are in effect run by their executive committees. The National People's Government Assembly—Cuba's Parliament—has 481 deputies. Of this total, over 55 percent are members of municipal or provincial assemblies, and the rest are appointed by the party. All serve for five years. The executive arm of the National Assembly is its 31-member Council of State, which has legislative powers when the Assembly is not in session. The National Assembly also makes appointments to the Council of Ministers.

The Chairman of the Council of State is the Chief of State, head of the Council of Ministers, head of the government and Supreme Chief of the Armed Forces. Thus the Cuban constitution placed the leadership of the state government and the Armed Forces in one person, and this person is Fidel Castro.

Under the current system, there are three organs of central state administration: the state committees, the ministries and the institutes. There are 11 committees, 23 ministries and nine institutes. Because the

introduction of the municipal and provincial assemblies has institutionalized the policy of administrative decentralization, the functions of the great majority of central state agencies are no longer primarily executive. Rather, they establish guidelines for local governments and the production and service units under them. While the judicial branch of the state was not visibly exercising its constitutionally guaranteed independence, it has legislative initiative and ordinance powers and in the evolution of the process of "socialist legality" it is expected to become more assertive.

Because Cuba has become a structured state, economic and social problems rather than political issues dominate the scene. Cubans enter the third decade of the revolutionary rule with a notable toning down of political fervor, as though the Castro regime had exhausted its rhetoric. Foreign journalists visiting the island country note a general atmosphere of conformity, monotony and boredom. This ennui has pervaded even the young. Cubans are more subdued, less spontaneous than they were. They talk less about national and international affairs and more about their own particular problems. They complain about long working hours, perennial lines for rationed goods and bureaucratic red tape that touches every facet of their lives. But they are not likely to do anything about their complaints. They grumble, yet they hope that sooner or later life will become easier and more open.

Even though salaries are low—they fluctuate from about \$120 a month to \$1,200, the highest pay for a top scientist—people do not starve. Since everybody works, families usually have a surplus of money after buying cheap, subsidized rationed goods. Access to free education is assured to all and all other social services are also free. According to most observers, discrimination on the basis of skin or sex has not disappeared. There are probably fewer blacks and women in positions of prominence in Cuba today than there were in the Batista period 20 years ago.

Having completed the Socialist cycle of evolution, late in 1978 the Cuban government began a reappraisal of its foreign and domestic policies, either to

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George Volsky, Miami-based journalist covering the Caribbean and Florida for *The New York Times* since 1962, recently visited Havana and interviewed President Fidel Castro. Lecturer and consultant for the Rand Corporation, the Hoover Institution, and other research organizations, he has written about Cuban developments for various American and European publications. He is a columnist for the Agencia Latinoamericana, ALA, and his articles on national and international affairs appear regularly in over 80 newspapers in Latin America and Spain.

"Pinochet's position looks less secure now than it was at any time in the past five years. . . . There is little possibility that the military government can ever gain a significant degree of popular consent; whether it can continue to rule through repression and control depends on economic and political developments whose outcome is so uncertain that it would be unwise to make any prediction."

Chile After Five Years of Military Rule

BY ALAN ANGELL

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INTerviewed in the Spanish newspaper *El País* on August 14, 1978, General Augusto Pinochet Ugarte painted a rosy picture of the Chile he has ruled since 1973. According to President Pinochet, Chile was an island of peace in a troubled world. He asserted that although it was still incomplete, the military's economic project was rapidly securing a sound base for future development. Only on the political front did the general feel insecure—hence the prolonged timetable for the return to civilian rule.

However, not all Chilean military officers share Pinochet's contentment. General Nicanor Diaz Estrada, a former minister of labor, painted a very different picture. In his view, the people of Chile were suffering from desperate poverty—a condition that they would not tolerate indefinitely. A regime of the extreme right had replaced one of the extreme left, and the treatment of General Gustavo Leigh Guzmán, dismissed from his post in the four-man governing junta, could be compared with the treatment of dissidents in the Soviet Union.¹

General Leigh's comments in an Italian newspaper on July 18, 1978, were regarded as a challenge to Pinochet's hold over the governing junta. Leigh criticized Pinochet's plans for the institutionalization of the country and argued instead for the restoration of civilian rule within five years. Leigh expressed his concern for the "disappeared" persons, though the government officially denies any responsibility for their fate. Leigh also expressed sympathy with the Christian Democratic party and hoped to see the restoration of party politics.

These statements were taken as a direct challenge to Pinochet, and Leigh resigned on July 24. Ten other

officers were dismissed (including eight generals), and the next day ten more resigned, leaving only two of the original complement of 21 generals in the Air Force.

The rumblings in the military find their counterpart among civilian groups. For the first time since the 1973 coup, there have been important strikes, most notably in the copper mines of Chuquicamata but also in sectors like the steel mills of Huachipato. Students have started to demonstrate, too, ostensibly in support of the Sandinista guerrilla movement of Nicaragua and against her President, but with the clear implication of more local criticism. Students have also begun to demand some degree of participation in the running of the universities. Small businessmen, like the lorry drivers who, led by León Villarín, contributed in no small measure to the overthrow of Salvador Allende Gossens, have issued proclamations declaring that they are no better off under this government than they were under the former one.² The Church remains the shelter of groups seeking to protest against the violation of human rights that still disfigures Chilean life. The Christian Democrats are more open and more confident in their rejection of the model espoused by Pinochet and his economic advisers, known as the "Chicago boys" (for their advocacy of the economic doctrines associated with Chicago University's Professor Milton Friedman).

Nevertheless, such stirrings of social protest would not give the regime, at least in the short run, too much concern for its survival. Probably the two most important questions that face Pinochet, apart from the possibility of conflict with Argentina over the Beagle islands in the far south, are the outcome of the investigations into the assassination of Orlando Letelier, and the success of the economic model.

The Letelier affair threatens to become Chile's Watergate, and opponents of Pinochet hope that he will suffer a fate similar to that of United States President Richard Nixon. Orlando Letelier served President Allende in a number of posts—as Ambassador to the United States, and as Minister of Foreign Affairs and of Defense. A member of Allende's Socialist party, he was imprisoned in Dawson

¹These views are summarized in *Chile, Desde El Interior*, August, 1978, pp. 1-2. Although the press remains firmly under control, several weeklies and numerous mimeographed publications carry strong criticism of the government.

²According to Villarín, "Conditions for our members are insupportable . . . we are living under an economic dictatorship. . . . This wasn't what we fought for in 1973." From an interview in *Hoy* (Santiago), September 13, 1978, p. 21.

Island after the coup. Following his release after many months of imprisonment without trial, he went into exile and became the director of the Institute of Policy Studies based in Washington, D.C. Orlando Letelier was a moderate, a man greatly respected by Chilean democrats, a figure of enough stature to provide leadership for the Popular Unity forces in exile and, by dint of his activities, a thorn in the flesh of the military junta.

Attempts to assassinate leading opposition figures were not unknown. General Carlos Prats González, who resigned as Commander-in-Chief of the armed forces just before the coup and who upheld the "constitutionalist" theory of the relationship between the armed forces and political involvement, was blown up with his wife in his car in Buenos Aires. Bernardo Leighton and his wife narrowly escaped with their lives following an assassination attempt in Rome. Leighton was a leading and moderate Christian Democratic politician who had opposed the coup and had gone into exile. Like Letelier and Prats, he could have played an important role in uniting the anti-junta forces.

Both the Prats and the Leighton assassination attempts were laid at the door of Chile's notorious DINA, the intelligence unit established by Pinochet and led by General Manuel Contreras. DINA was the regime's basic instrument of repression and control. Trained partly by the United States Central Intelligence Agency, DINA's huge apparatus invaded every sphere of civilian and military life. With the courts supinely accepting every dictate of the junta, it was impossible to bring any effective legal charges against DINA until it overstepped itself in September, 1976, and arranged for the assassination of Letelier by blowing up his car in Washington, D.C., not far from the Chilean embassy. On his way to work, Letelier was not alone. The wife of one of his colleagues, Ronnie Moffitt, an American citizen, also died, though two other occupants of the vehicle miraculously escaped almost unharmed.

For months, it looked as if the investigation had ground to a halt, but then Chile and the United States were startled to learn that extradition proceedings were to be taken against a United States citizen in Chile, Michael Townley, an electronics specialist who had been involved with the fascist *Patria y Libertad* movement during the Allende period. The extradition of Townley, a DINA agent, was a victory for Eugene Popper, the energetic Assistant Attorney for the District of Columbia, and for the Federal Bureau of Investigation.

The case is as complicated as a detective novel. Townley and a Chilean DINA agent had traveled to Miami on false passports to meet with a Cuban exile gang who were to carry out the assassination. A tip-off from the Venezuelan police led to the capture of the

five Cubans, and the trail led to Townley. Perhaps hoping to satisfy the demands of the United States federal grand jury investigating the case, Pinochet agreed to the extradition of Townley but not to the extradition of the Chilean involved, DINA agent and army captain Fernández Larios. Investigations were further complicated by the sudden and unexpected "suicide" of the Chilean consular official who had issued the false passports.

DINA's head, General Contreras, resigned his post and is being held under house arrest. Fernández and DINA's Director of Operations, Captain Pedro Espinoza, are being held in a military hospital. Contreras has retained as his lawyer Sergio Miranda, a man who offered to go to Nuremberg to defend the Nazis. Miranda expects to argue that crimes like the assassination of Letelier are political offenses and hence are not covered by the 1900 extradition treaty between the United States and Chile. It is rumored that Contreras has shipped DINA's files on the case to Germany, to be released if he is extradited.

Pinochet has started to distance himself from Contreras, denying that he ever had any close personal or family links with him and that the problem is one that affects the intelligence services but not the government as such. Nevertheless, the Chilean Supreme Court has ruled, much to the dismay of the American prosecutors, that the extradition hearings must be held in secret session.

The results of the hearing are not expected until next year. Whatever the outcome, the affair is seriously embarrassing to Pinochet; most Chileans believe that if the assassination was the work of DINA, Pinochet would have been informed. If the outcome involves the extradition of Contreras and the two agents, more than embarrassment may well be involved. Apart from the effect of the affair on the armed forces, United States support is vital for the continuance of the Chilean regime. United States President Jimmy Carter's human rights policy would appear meaningless if it did not involve some sanctions against a head of state who ordered assassinations in the United States itself. The Chilean government expects that the case will result in a refusal to extradite the three DINA agents, but the affair has produced so many unexpected surprises that it seems doubtful if it will peter out uneventfully. Townley has admitted that he was also involved in the assassination attempt on Leighton, and his evidence alone will embarrass the Chilean government.

THE ECONOMY

The government has recently claimed that the Chicago monetarist policy has been an outstanding success. There are indeed indicators that look favorable. The increase in the cost of living for the 12-month period to the end of August, 1978, was 37.7

percent compared with 79.9 percent for the comparable earlier 12-month period. Industrial production for the first half of 1978 was 8.7 percent higher than the corresponding 1977 figure. The Ministry of Agriculture reported that the average annual growth in agricultural production in the period from 1973 to 1976 was 6.7 percent compared with an average decline of 4.6 percent in the period from 1970 to 1973 and an annual average growth of only 2 percent in the period from 1964 to 1970.³ The ministry omits to point out, however, that there was a 27 percent drop in the production of the 14 major food crops for the last harvest, largely because the "free market" dictates such high prices for seeds and fertilizers that small and medium producers have been forced to reduce the amount of acreage sown.

No skillful presentation of statistics can hide the fact that the brunt of this Chilean economic experiment has fallen on the poor. In an attack on the economic performance of the government, former Christian Democratic Finance Minister Andrés Zaldívar pointed out that income per capita had fallen from US \$908 in 1970 to \$810 in 1977; and that whereas in 1970 Chile's per capita income was 58 percent above the Latin American average, in 1977 it was only 11 percent above.⁴ Such figures are hardly surprising when (according to his figures), industrial production is still 4.6 percent lower than in 1969, and construction 20 percent lower than in 1970.

Taking 1970 as 100, real wages are down to 81.7. Unemployment, which the government estimates as having fallen to around 12 percent, is nearer 20 percent if one includes the government's miserably paid minimum employment program.⁵ Almost 40 percent of the work force earns the equivalent of one minimum wage or less—barely sufficient for a single person in good health. The social security system has also been run down to the detriment of the poor. In 1971, Chile was spending US \$91 per capita on basic

³These figures are taken from the Bank of London and South America, *Review*, October, 1978, p. 564.

⁴Zaldívar's article is published in *Hoy*, September 20, 1978.

⁵See the discussion of unemployment in Arturo León, "Desocupación, ¿Qué Indican las Cifras?" in *Mensaje*, March-April, 1978, pp. 126-130.

⁶These calculations of Oscar Muñoz are published in *Hoy*, September 6, 1978, p. 23. See also A. Foxley and J. P. Arellano, "El Estado y las desigualdades sociales," *Mensaje*, August, 1977.

⁷L. Whitehead, "Inflation and Stabilization in Chile," mimeo, Oxford, 1978, p. 24.

⁸Dudley Seers, "Chile: the Rule of the Chicago Boys," *World University Service*, 1978, p. 2; and *Latin America Economic Report*, February 10, 1978, p. 45.

⁹Ricardo Ffrench-Davis, "La Política de Comercio Exterior en 1974-77: sus rasgos fundamentales" in *Mensaje*, January-February, 1978, p. 50.

¹⁰*Latin America Economic Report*, September 15, 1978, p. 85.

social services; in 1972, this rose to \$143; but fell to \$78 in 1977.⁶

There is little evidence of an industrial recovery of the kind that would sustain growth and increase employment. As Laurence Whitehead has pointed out, "By the end of 1977, despite the reactivation, most of Chile's productive enterprises remained mortgaged to the hilt, with little success as yet in generating their own resources for recuperation and renewal." Credit levels, although recently reduced, remain high, giving enormous power to a small number of monopolistic financial groups.⁷ There has been an inflow of foreign investment, but apart from the mining sector very little of it has gone into productive investment. Up to February, 1978, over 90 percent of the licenses for foreign investment were in mining; indeed, 50 percent of the licenses were for one single investment of US \$1.2 billion by the Exxon Corporation, attracted by the low price of the Disputada copper mine.⁸

The government's tariff policy seems intended to reduce drastically the industrial base of the country, and it has precipitated many bankruptcies among smaller industrial concerns. Average tariff levels have been reduced from 94 percent in 1973 to 18 percent in 1977.⁹ Imports obviously are responding to the reduction of tariffs, but over 80 percent of them are luxury items, not the capital goods that the country needs so badly.

Although exports rose by 5 percent to US \$1,184 million in the first half of 1978, imports rose by 25 percent to \$1,305 million. The general external debt has risen to US \$5,434 million at the end of 1977, compared with \$5,195 at the end of 1976. Most of Chile's new loans are short- and medium-term financial loans which make the country extremely vulnerable to changes in the world economy. Indeed, a substantial proportion of the new loans are tied to imports, which further stimulates the trade deficit. Another factor which has worsened the trade balance is the decline in Chile's agricultural production; wheat exports are expected to double this year to US \$66.9 million; maize imports to cost 400 percent more.¹⁰

It is, however, something of an exaggeration to see the Chilean economy purely in terms of a monetarist experiment. The free market dogma is not taken so far as to denationalize the state's major asset, the copper mines. Nor could the Chicago boys prevent the economic distortion caused by huge expenditures on armaments. The economic experiment is intended to produce an economic structure that brings rich rewards for the privileged few and that ensures, by the nature of the employment it provides and by draconian controls over the trade unions, that the industrial working class is unlikely to pose a political threat again.

The economic model cannot be understood in isolation from its political context. It is grounded in repressive authoritarianism. The "free market" depends on strict political control. The economic policy of the junta responds to its political objectives. However, in spite of five years of control over the trade union movement, there are indications of labor restlessness.

THE TRADE UNION REVIVAL

The working class has not only seen the erosion of its living standards, it has also seen an attack on the legal guarantees that it secured after many years of struggle. On June 15, 1978, the government issued a new Labor Code (decree law 2,200). There are no longer any guarantees of a minimum income for apprentices of 14 to 21 years of age, for those working at home, or for agricultural employees. Pregnant women can be easily dismissed. Dismissal of workers is generally simple, and severance pay has been reduced to a minimum. Of great danger for labor is the provision that employer and worker can abolish "by mutual consent" any individual benefits that might have been gained over and above the legal minimum. Unions fear that in order to secure any employment, workers will agree to waive hard-won rights.

This new labor code ratifies and adds to the government's attack on organized labor. Under the state of emergency, previous legislation had virtually prohibited collective bargaining, the right to union assembly, and the right to elect new leaders.¹¹

It is little short of remarkable that union coordination at the national level has strengthened and that Chile has witnessed powerful demonstrations of worker discontent.

The first labor group to form was the "Grupo de Diez" (the Group of Ten), moderate, mostly Christian Democratic leaders, who had remained in their leadership posts after the coup and who enjoyed the support of the Church. In fact, several of the leaders, like Tucapel Jiménez of the important state employees federation ANEF, if they had not welcomed the coup, had accepted it as inevitable. But though they may not have regretted the departure of the Allende regime, they were, nevertheless, opposed to state direction of the unions and wanted to return to free collective bargaining and a minimum of state interference.

A more recent development is the formation of the

¹¹For two interesting accounts of labor's difficulties see Eugenio Bergliod, "La situación sindical después de cuatro años," in *Mensaje*, December, 1977; and Elias Reyes Vergara, "Los Trabajadores y La Tarea de Chile," in *Mensaje*, June, 1978.

¹²See the report by Ana Maria Foxley in *Hoy*, September 13, 1978, p. 9.

Coordinadora Nacional, a more explicitly left-wing group of union leaders, working closely with church groups and hoping to act jointly with the Group of Ten (two of whose members have in any case gone over to the Coordinadora). And indeed there was an impressive display of unity when four groups got together to demand union freedom, economic improvements and a return to democracy. Joining the two previously mentioned groups were the *Frente Unitario de Trabajadores*, a small group of Social Christian inspiration and, rather surprisingly, the *Unión Nacional de Trabajadores*, a group originally created by the junta to act as its spokesman among the unionists. It is an ironic comment on the junta's working class support that even its own creations turn against it.¹²

The government is probably more worried about the unrest in the copper mines than these manifestations of union discontent, which, although they underline the lack of legitimacy of the regime, do not yet directly threaten the economic model. But strikes in the copper mines obviously hit at the heart of Chilean exports. There was a brief but worrying strike in El Teniente, Chile's largest underground mine, in November, 1977, but the recent problem at Chuquicamata, Chile's largest open cast mine, is more of a threat to the government's plans.

Originally, the workers' started a boycott of company canteens on July 31 to support their demands for 50 percent wage increases in various special payments. Six workers were dismissed for addressing a mass assembly. Confused allegations and counter-allegations, including an incident when the miners refused to listen to the government-appointed union president, Bernardino Castillo, led eventually to a government declaration of a state of siege in the province, and to the arrest of 11 employees including the head of the industrial relations department, on the charge of distributing Communist propaganda. Even *El Mercurio*, the right-wing Santiago daily, came out against the government's tough line, pointing out that the miners enjoyed public support, and regretting the Economics Minister's remark that having a job in Chuquicamata was for most Chilean workers the equivalent of winning the state lottery.

The dispute is still unresolved. Workers are threatening to reopen action unless their colleagues are reinstated and unless attention is paid to their economic demands. Whatever the outcome, the extent of worker resistance to the government indicates the deep opposition of organized labor to the political and economic model of Pinochet and his Chicago boys.

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"President Morales Bermúdez has expressed his desire to put the nation on the road to economic recovery by the time he leaves office. To achieve this goal, he will need debt refinancing, good luck in the form of improved commodity prices, and the willingness to make and the strength to abide by some very tough decisions."

Peru: The Lame-Duck "Revolution"

BY DAVID P. WERLICH

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PERU celebrated the 157th anniversary of her independence on July 28, 1978, by convening a constituent assembly. This body, chosen in the nation's first election in a dozen years, is drafting a new constitution in preparation for the transfer of power from the "Revolutionary Government of the Armed Forces" to a civilian administration, an event now anticipated later in 1979. The lame-duck dictatorship of General Francisco Morales Bermúdez hopes to make an orderly retreat to the barracks, while salvaging some of the reforms instituted during the 1968-1975 administration of General Juan Velasco Alvarado. This maneuver will be difficult. The government has lost virtually all its civilian support; the armed forces are torn by factionalism; fiercely partisan politics again has become the national pastime; and the country is in the midst of its gravest economic crisis since the Great Depression.¹

The nation's economic problems arose from a combination of bad luck and mismanagement.² Since 1972, ecological changes in Peru's coastal waters have nearly destroyed the state-owned fishing industry, which previously earned more than one-third of the country's foreign exchange. The government invested heavily to expand production at the nationalized copper mines, only to suffer from a sharp drop in the world price for the metal. Peru's sugar, another major export, has also experienced weak international markets. Overly optimistic reports of vast petroleum deposits in the Peruvian Amazon prompted the state to invest one billion dollars to develop this field. By

¹Useful surveys of recent events in Peru include George Philip, "The Peruvian Tightrope," *The World Today*, vol. 33, December, 1977, pp. 464-471; Stephen M. Gorman, "Peru before the Election for the Constituent Assembly: Ten Years of Military Rule and the Quest for Social Justice," *Government and Opposition*, vol. 13, Summer, 1978, pp. 288-306; and Thomas G. Sanders, "The Politics of Transition in Peru," *American Universities Field Staff, Reports Service*, West Coast South America Series, vol. 24, no. 2 (December, 1977).

²"Peruvian Sol," *International Currency Review*, vol. 10, no. 1 (1978), pp. 146-152; Stephan D. Derecho, "Peru's Crisis: One Mistake after Another," *Euromoney*, June, 1978, pp. 95-96; Clark W. Reynolds, "Reforma social y deuda externa: El dilema peruano," *El Trimestre Económico*, vol. 45, July-September, 1978, pp. 643-668.

1976, when a pipeline extending from the Amazonian region to the Pacific was completed, Peru had discovered much less oil than she expected. The nation became self-sufficient in petroleum, but the oil exports, which the government hoped would pay for its development programs, have not materialized. A project to irrigate the Majes Desert in southern Peru may never recover its billion-dollar investment. The government has built many new office blocks to house its bloated bureaucracy and has spent an estimated \$1.5 billion on weapons since 1968.

As world prices for Peru's exports declined, the cost of imported fuel and foodstuffs rose dramatically. Domestic inflation put added pressure on the balance of payments. Peru's currency, the *sol*, became overvalued, rendering the nation's exports less attractive to overseas customers, while encouraging Peruvians to buy imported goods. To ease the pain of inflation for the country's vocal urban population, the state subsidized imported fuel and food and imposed unrealistically low prices on domestically produced necessities. Encumbered by government regulations and fearful of reforms that threatened the private sector, Peru's entrepreneurs sharply reduced their investments. Stringent rules governing foreign companies inhibited the flow of capital from overseas.

While private investment slackened, the public sector expanded rapidly to fill the void. Because of frosty relations with the United States, Peru was denied long-term, low-interest development loans from international agencies dominated by the United States. Instead, Lima borrowed large sums at less favorable terms on the commercial market. The foreign bankers, their vaults bulging with petrodollars, lavished loans on Peru until 1976, when the heretofore sunny future of the country's export-led economy became cloudy.

Economic statistics for Peru have shown considerable discrepancy in recent years, with sizable variations from one reporting agency to the next. But all observers concur in the gloomy picture they paint. The gross national product, at best, seems barely to have kept pace with population growth in 1976, and to have declined on a per capita basis since that time.

More than 40 percent of Peru's workers are under-employed in the traditional sector of the economy; nearly half the labor force formerly employed in modern industry is unemployed today. The cost of living increased 44 percent in 1976, surged 60 percent in 1977, and soared 70 percent last year. The government has incurred large deficits in the domestic budget.

The shortage in the nation's foreign trade account surpassed \$800 million in 1976, and was about half that amount the next year. By 1978, Peru's total foreign debt—public and private—exceeded \$8 billion, and 86 percent of this money was owed by the government. Annual service on the public debt required \$1 billion, about 53 percent of Peru's export earnings. A ratio of debt payments to export income only half as high as Peru's is considered excessive.

President Morales Bermúdez, the moderate general who ousted the radical Velasco Alvarado in August, 1975, enjoyed a political honeymoon during his first ten months in power.³ In an effort to quiet the feud between the military's radical and conservative factions, which had become intense during the previous year, Morales Bermúdez maintained an ideological balance in the Cabinet and avoided controversial economic decisions. He pledged not to deviate "one millimeter" from the nation's revolutionary course. A new, "second phase" of the revolution would merely correct certain errors of the Velasco years, while consolidating the many gains of the past. The removal of Velasco, meanwhile, gave the military an opportunity to mend its badly strained relations with the public. Political prisoners were freed; exiles returned home; and suppressed publications reappeared. For the first time since 1968, civilians were brought into the Cabinet. Morales Bermúdez indicated that constitutional government would be instituted gradually, beginning with municipal elections, and that the military might completely withdraw to their barracks in 1980.

The Peruvian revolution began to unravel in the second half of 1976 under the weight of a sick economy, mounting popular unrest and renewed factionalism in the armed forces. An austerity program

³David P. Werlich, "The Peruvian Revolution in Crisis," *Current History*, vol. 72, February, 1977, pp. 61-64, 81-82.

⁴These are discussed in Abraham F. Lowenthal, ed., *The Peruvian Experiment: Continuity and Change under Military Rule* (Princeton: Princeton University Press, 1975); and David P. Werlich, *Peru: A Short History* (Carbondale: Southern Illinois University Press, 1978), pp. 300-365.

⁵Manuel Lajo L., "Desarrolló económico peruano: Del Plan Inca al Plan Túpac Amaru," *Comercio Exterior* [Mexico], vol. 28, February, 1978, pp. 197-205.

⁶These are thoughtfully analyzed in Roberto Abusada-Salah, *Industrialization Policies in Peru, 1970-1976* (Austin: University of Texas, Institute of Latin American Studies, Office for Public Sector Studies, Technical Papers Series, no. 16, 1978).

announced at the end of June resulted in two weeks of strikes and riots. The regime proclaimed a state of emergency, suspending constitutional guarantees. Hundreds of people were arrested; a dozen magazines were suppressed; and a curfew was imposed on Lima and other cities. The emergency decree remained in force until August 28, 1977. During that 14-month period, arrests averaged 1,000 per day. But Peru's generals and admirals, fortunately, sought to avoid the gross violations of human rights occurring in some neighboring countries. Most detainees were released quickly or, if they were prominent critics of the regime, were deported.

Throughout 1976, debate about the future course of the revolution raged in the military establishment. Radical officers called for the continuance of the statist and redistributive economic policies of the Velasco period,⁴ while conservative officers demanded the restoration of free-enterprise. A right-wing mutiny during the July, 1976, anti-austerity riots forced the resignations of all leftist officers from the Cabinet. In the months that followed, the conservatives gained strength, forcing the moderate Morales Bermúdez and a dwindling number of progressive officers into a defensive position.

Plan Túpac Amaru, the government's blueprint for the 1977-1980 period, was published in February, 1977. The document vaguely outlined the regime's strategy for consolidating the "revolutionary process," which "should not move toward communism nor, in reaction, turn back to outdated forms of prerevolutionary capitalism." The plan envisioned greater fiscal stringency, reduced public spending, and "economic decentralization" (i.e., renewed emphasis on the private sector), and invited the participation of foreign capital, where necessary, in the development of Peru's natural resources. The government also declared its intention to restore full civil liberties and to transfer power to civilians in 1980 under a constitution that would institutionalize the reforms of the revolution.⁵

Even before the publication of Plan Túpac Amaru, however, the Morales Bermúdez regime had begun to modify or dismantle several Velasco era programs. In July, 1976, the government announced the partial denationalization of the dormant fishing industry. Pesca-Perú, the state company, sold its 500 boats and removed their idle crews from the national payroll. In an effort to lure more foreign capital into the expensive search for Amazonian oil, the administration liberalized the rules governing multinational petroleum companies. The 1969 Peruvianization of Banking Law was modified in the hope that the Arab-Latin American Bank would establish a branch in Peru.

The most significant departures from the program of the Velasco administration concerned worker participation in industrial management.⁶ In February,

1977, the government drastically altered the 1970 Law of Industrial Communities, a measure which envisioned the eventual transformation of most modern manufacturing firms into workers' cooperatives. Under the amended law, workers will continue to receive 25 percent of their company's annual gross profits. The industrial community—an association comprising all employees of an enterprise—will continue to have representation on the board of directors. But the maximum amount of company stock to be held by the workers was reduced from one-half to one-third, thus eliminating the possibility of worker control of management.

Peru's social property enterprises (novel worker-managed firms underwritten by the state) have not been formally scrapped. The very low priority which this program has received in recent budgets, however, has signaled to the private sector that it need not fear competition from social properties. A decree of March, 1978, greatly weakened the Velasco-era Law of Labor Stability which had made it extremely difficult for employers to cut their labor force.

Morales Bermúdez has also discarded plans to restructure the nation's political system on a corporate state framework. The National System of Support to Social Mobilization (SINAMOS), the agency charged with that task, was dismantled during the last months of Velasco's tenure. Since that time, the government has worked to reduce the power of the worker organizations nurtured by SINAMOS. As a corollary to this about-face, the nation's major newspapers—which had been expropriated in 1974 and were to have been given to the workers' groups—will be restored to private ownership under a program announced in July, 1978.

MORALES BERMUDEZ AND THE BANKERS

A major goal of the revolution under General Velasco was the reduction of Peru's economic dependence on the developed world. During the last three years, however, the nation has been at the mercy of the foreign financial community. In 1976, Morales Bermúdez secured more than \$500 million from European and North American banks to service the public debt and cover the trade deficit. But the next year, the international financiers balked at further loans to Peru. The bankers declared that additional support was contingent upon the regime's negotiation of a standby agreement with the International Monetary Fund (IMF). To obtain the seal of approval from that conservative agency, Peru would have to institute severe austerity measures.

Between May and July, 1977, two civilian finance ministers unsuccessfully urged their uniformed colleagues in the Cabinet to swallow the economic medicine prescribed by the IMF. They proposed a 50 percent reduction in the budget deficit, sizable cuts in

the bureaucracy, large decreases in subsidies for food and fuel, a sharp increase in interest rates and weekly "mini-devaluations" of the *sol*. The generals and admirals recoiled at the thought of the popular protests against this proposal, and the severe repression that would be required to quell the disturbances. Further, this program, especially devaluation and high interest rates, seemed likely to bankrupt many of Peru's already hard-pressed manufacturers, who import about half their inputs. General Gastón Ibáñez O'Brien—the powerful minister of industry who reflected the attitudes of the business community—proposed that the administration freeze the *sol* and "reflate" the economy through emissions of paper money and liberalized credit. The inflation arising from these actions, he argued, would be no worse than the increased cost of living that would result from the plans of the finance ministers. Although Ibáñez's program would have spared Peruvian industry in the short run, it would have worsened the nation's already desperate international payments position unless Peru defaulted on the foreign debt, a step that the regime was not prepared to take.

Morales Bermúdez favored the proposals of his finance ministers, but he lacked the power to secure the assent of his colleagues. General Alcibiades Sáenz Barsallo became minister of finance on July 7. This officer lacked expertise in economics, but his continued command of the crucial armored division stationed in Lima gave him the strength to impose the austerity package. The response of the public, already reeling from 60 percent inflation that year, was more violent than the regime anticipated. A month-long series of riots in Lima and other cities resulted in the loss of at least 20 lives. In an unprecedented show of worker solidarity, on July 19-20 three of Peru's four major labor federations staged a general strike that halted economic activity throughout most of the nation. The regime reacted by retreating somewhat on its austerity measures while, at the same time, authorizing employers to dismiss union leaders participating in the illegal walkout. More than 3,000 workers were fired. Peru's Roman Catholic bishops, who had given guarded support to Morales Bermúdez, condemned the government's actions.

The growing strength of the regime's civilian opposition demonstrated in the general strike, along with debilitating dissension in the military government, produced an abrupt shift in the political strategy of Morales Bermúdez. In his Independence Day speech to the nation on July 28, the President announced that the 13-month state of emergency would end in 30 days, that restrictions on the press would be lifted and that elections for a constituent assembly would be held on June 4, 1978. Once that body had drafted a constitution which institutionalized the fundamental reforms of the revolution,

elections for a civilian Parliament and President would be held. The regime obviously hoped the circus of a political campaign would divert the people's attention from their economic woes, while garnering badly needed support for the austerity program from the nation's political parties. An opening toward democracy, moreover, might bring support from the human-rights minded administration of United States President Jimmy Carter and might, perhaps, even warm the cold hearts of foreign bankers.

By September, 1977, Peru had nearly exhausted her reserves of foreign exchange, and millions of dollars in debt service were due each week. Promising to tighten the nation's economic belt several more notches, Lima signed a draft agreement with the IMF for a standby loan of \$120 million to be drawn on over the next 18 months. With this preliminary endorsement from the Fund, Peru tried to postpone service on loans currently payable and to reschedule her entire external debt, extending the burden over a longer period of time. But even as the nation frantically searched for relief in every quarter, including an unsuccessful appeal for a loan of \$100 million from the United States, it became apparent that Peru could not abide by the terms of the pact with the IMF. The *sol* nearly collapsed, declining 70 percent against the dollar in a ten-week span, and the country's unions staged another general strike. In December, the IMF relaxed its demands, and disbursed the first installment on its loan to Peru. Private bankers refused to begin negotiations on a restructuring of the Peruvian debt until February, 1978, but several creditors agreed to "roll over" payments immediately due. During those desperate days, Peru's only bargaining point was the threat of a default (in which case the bankers would receive nothing), and the demonstration effect that a Peruvian moratorium would have had on other overextended nations of the third world.

THE ELECTION

The Morales Bermúdez regime's election law, decreed in November, 1977, provided that any organization—including political parties and workers' groups—that gathered 40,000 signatures on nominating petitions could participate in the contest for the 100 seats in the constituent assembly. Each party would present a slate of candidates who would run at-large rather than by electoral districts. Political exiles who were nominated by the parties could return to Peru for the campaign. In addition to voting for a party, electors would also cast a preferential ballot for their favorite candidate on the ticket. The number of assembly seats allotted to each party would be de-

⁷For outstanding coverage of the election from a radical perspective see the Trotskyist weekly *Intercontinental Press*, vol. 16, 1978, which carried extensive reports from Peru in virtually every issue.

termined by its total vote, while the preferential ballots would indicate which candidates would be seated.

For the first time in the nation's history, 18-year-olds were permitted to vote. But the law required that voters be literate, a provision that denied the franchise to 30 percent of the adult population. The state-controlled newspapers along with the government's radio and television stations were to give all parties an equal quota of free space or time, and the groups themselves could purchase additional coverage in the media.

Thirteen partisan organizations registered for the election by the February, 1978, deadline.⁷ But the following month Acción Popular (AP), the centrist party of former President Fernando Belaúnde Terry (1963-1968), withdrew from the race. Belaúnde charged that the election unnecessarily delayed the restoration of civilian rule. He demanded an immediate return to democracy under the 1933 constitution. Of the dozen parties that remained in the contest, three—the MDRP, UNO and MDP—were small, conservative ghosts of the personal vehicles of long-deceased Presidents Leguía, Odriá and Prado.

The most viable rightist group was the Popular Christian party (PPC) of former Lima Mayor Carlos Bedoya Reyes. The PPC denounced the reforms of the Velasco era as well as the economic policies and political repression of the current regime. It called for the restoration of democracy and free enterprise. In addition to its own substantial middle-class following, the PPC seemed likely to be the principal beneficiary of Acción Popular's withdrawal from the race.

Seven slates competed for the votes of the political left. Before the election, many observers believed that the Revolutionary Socialist party (PSR) had the best chance of success. Led by retired General Leonidas Rodríguez Figueroa and other left-wing military leaders of the early 1970's, the PSR claimed to be the heir of the Velasco administration and advocated a return to the radical programs of the past. The charismatic Rodríguez claimed the support of the three-million-member National Agrarian Confederation and other officially sanctioned groups of the Velasco years which, as head of SINAMOS, he had helped organize. Other leftist competitors included the orthodox Communist party (PC-unidad); the small Revolutionary Socialist Action (ARS) of renegade AP leader

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"Although the United States is properly concerned with human rights violations, Argentina will probably continue to perceive the United States human rights policies in the words of political analyst J.J. Ramos Mejia, as 'a confused tangle of advanced ideas that only protect those who favor disorder and backwardness.'"

Argentina's Military Commonwealth

BY DAVID C. JORDAN

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IN June, 1978, Argentina's military government staged the world cup soccer championships more successfully than even its most optimistic friends could have imagined. The games were held without any successful terrorist interference or signs of mass discontent and they promoted a national unity and solidarity that was capped by Argentina's emergence as the new world soccer champion. The military junta that has ruled Argentina since the coup d'état that ousted Juan Domingo Perón's widow, María Estela Martínez de Perón, on March 24, 1976, received welcome publicity; perhaps a billion people watched the cup games worldwide via satellite television. This great athletic and promotional success prepared the way for the next step in the military's effort to create a new institutional order in Argentina.

On August 1, 1978, General Jorge Videla retired from active military service and the junta to become the civilian President of Argentina, serving until March, 1981. Under Argentina's emerging military commonwealth, the military junta names the President, who serves for a three-year period. The next President will be named by the present junta some time around the end of 1980. Under this system, the President has sole responsibility for the appointment of his ministers, advisers, and ambassadors. The President appoints provincial governors with the prior approval of the junta while the junta itself makes judicial and top civil service appointments from presidentially prepared lists.

A new committee (the military committee) has been created, made up of the President and the junta. This committee of four has responsibility for all matters affecting national security. Replacing Videla on the junta as the Army's representative is General Roberto Viola, a friend and confidant of Videla. Replacing Viola as Chief of the Army General Staff is General Benjamin Menéndez. Videla has substantially renovated his Cabinet, retaining only the Minister of Interior, General Albano Hargaindeguy, and the Finance Minister, José Martínez de Hoz.

The political plan of the military for the further political development of Argentina is apparently largely inchoate and tentative. The government ap-

pears to lean toward some sort of federal republican democracy. Elements in the process of institutional development have already occurred. Some responsibilities formerly reserved to the central government have been transferred to the provincial governments. This development indicates that the government intends to build popular participation from the bottom up rather than from the top down. As provincial and municipal governments gain more responsibility for their own affairs, elections at that level will gain greater significance and begin to develop a new generation of political elites who can be held responsible to the people as well as to the central government. The armed forces are to remain in a position to oversee this process. In a careful, slow process, Argentina will see a return to civilian government under the check of the military veto power.

The political plan for dealing with or containing the old Peronist-Radical-Populist system of national politics appears to be both systematic and pragmatic. The systematic features are linked to economic policy, which projects a more vigorous private sector, a reduced bureaucracy, a reduction in state-owned enterprises and a less government-dependent middle class. Another systematic feature is the elimination of subversion, now largely accomplished.

The pragmatic features of the military plan for dealing with the old system are (1) to seek a dialogue with civilian opposition leaders but to exclude the most corrupt and subversive elements and (2) to rid former institutional areas of subversive infection, particularly the educational and the judicial systems.

The most corrupt of the Peronist and Radical opponents of the regime are in exile and are not involved in the dialogue with the government. The Movimiento Peronista Montonero (MPM), long linked to terrorism and corruption, operates in Rome, Mexico, London, Madrid and Paris. It is reported to have connections with the Palestine Liberation Organization (PLO). Some of the Radicals in exile are living in Mexico and are led by former Senator Hipólito Solari Yrigoyen and former deputy Adolfo Gass. They publish *La República*, which justifies the guerrilla-terrorist movement in Argentina because of

what they term circumstances of political abnormality. At the time of the world cup, it was announced that the Montonero leader, Horacio Mendizábal, had returned to Argentina to direct military operations against the regime. Several prominent Peronist labor leaders are in exile, but the former head of the national labor organization (CGT), Lorenzo Miguel, is at home under limited restrictions after serving a period in prison.

The government is apparently in touch with some of its Peronist and Radical opponents. The impression given by most of these contacts is one of mutual distaste. Emilio Messera, the naval member of the junta until August, 1978, was an exception. He actively sought contacts with and the support of right-wing Peronists. He believed that the military must have civilian support. His views were apparently rejected by the majority of the military not because the military were indifferent to civilian support but because they sought the improvement of the quality of that support. Messera's politics also undermined the unity of the government because the economic views necessary for Messera's politics clashed with the policies pursued by Martínez de Hoz.

The government has a very careful dialogue with labor. The government-labor relationship is further complicated because the "25" unions which did not have their leadership replaced by the government are recognized by the International Labor Organization (ILO) as representing Argentine labor. There are, in fact, two main sectors of Argentine labor in the post-1976 period: the "25" and the National Labor Commission (CNT). The "25" includes all the factors in the Argentine labor movement except the so-called "uncommitted," which make up the CNT. The CNT includes leaders of the huge and important but "intervened" metal workers union (purged of unacceptable leaders). The "25" includes five factions: three types of Peronists, independents and collaborationists. Two of the three large Peronist branches of the "25," the Verticalists and the Orthodox, formed a political branch known as the Peronist Syndicalist Movement. The "8" group of anti-Verticalists did not join. The government was not prepared to deal with the "8" and the Ministry of Labor banned all branches of the Peronist Syndicalist Movement.

There are "independents," in fact, in both the "25" and the CNT, and apparently they expect to play a role in the unification of the "25" with the CNT. Both the "25" and the CNT have been critical of the government's wage policy, charging accurately that real wages have fallen since 1976. Of course, no regime could have kept up that particular wage scale for long, an understanding hardly acknowledged by labor leaders.¹

¹See David C. Jordan, "Argentina's Military Government," *Current History*, February, 1977, pp. 57-58.

The government will probably have to move beyond its *ad hoc* dealings with labor. As a centralized state creation, Argentine labor is vulnerable to government intervention and coercion, but in the future this structure might provide a basis for a return to the old system. The government should no longer determine the wage structure for the whole society, using the unions as instruments of government policy and in effect incorporating them into the machinery of the state. Labor can raise its real wages by organizing according to the particular conditions in each industry, bargaining with respect to its productivity in that industry. The government will have to decide soon about the decentralization of Argentine labor in order to have a labor policy that complements its political federalization scheme.

The political plan to clean up the sources of subversive infection will fall on the new Cabinet ministers in education and justice, Fernando Lierena Amadeo and Alberto Rodríguez Varela respectively. The problems in Argentine education are particularly formidable. For years, faculty and students have been highly politicized, and there is no simple way to changing that situation. The fact that the major universities are in large urban areas magnifies the subversive, political and immoral influences on scholarship and objective education. Improving the educational environment may prove to be the government's most recalcitrant problem although universities may succeed in preventing the return of open subversion. Nonetheless, government intervention, even with the most benign intentions, may lead to political controls adverse to the development of a healthy scholarly community. The concern for education extends to courses the military gives on national problems for the younger generation of labor leaders.

The Argentine system of justice has been greatly improved. The new members of the Supreme Court are of exceptional ability and integrity, and the improvement of the administration of justice throughout the country has been marked. Many promising younger lawyers have been appointed as judges and as provincial attorneys. They should be paid far better; the low salaries in this area are an invitation to corruption.

The economic legacy of the Peronist regime to Argentina was a completely distorted and corrupt statist economy: a rate of inflation above 550 percent for the year ending in March, 1976, a recession leading to a deep depression, a massive but disguised unemployment due to a swollen bureaucracy, a debased currency, prospective default on the foreign debt, an ever growing trade deficit, the loss of capital reserves, a massive black market, extensive tax evasion and corrupt government management of fiscal and monetary affairs. Argentina has not yet recovered from this inheritance.

The policy adopted to deal with this sick economy was formulated, implemented and defended by Economy Minister Martínez de Hoz. It was decided to meet inflation through the policy of reflation; that is, to permit continued inflation but at reduced levels, in order to spread the cost of the recovery by lowering everybody's real wages but avoiding mass unemployment. Real wages have declined; in fact wage earners are now paying at least their fair share in the economic stabilization program. The inflation rate was 160.4 percent in 1977 and probably will be around 100 percent for 1978. These are extraordinarily high rates, well above the excessive average rates Argentina had even before the most recent hyper-inflation disaster under Perón. Beneath a surface stability, social tensions are inevitably rising because of this continuing three-digit rate of inflation. The chance to make a sharp break with past policies and to place the blame for the immediate hard times on the Peronist regime (where it rightly belonged) has probably been lost. This problem may cause the government serious difficulties.

AN INEVITABLE RECESSION

The economic policy was not able to prevent the inevitable recession. The gross domestic product (GDP) of 1978 will probably be the lowest in five years. The reflation economic policy has, however, lessened the depth and lengthened the recovery period of the recession. Argentina entered the recessionary period in early 1977 with continued inflationary expectations inducing an increase in stocks for which reflationary policy was reducing real demand. In 1977, consumption fell four percent although the GDP rose 4.4 percent in real terms. The economy is not yet out of this bind but it suits government policy to reduce domestic consumption in order to produce more for export. For example, there was a larger price increase for the first nine months of 1978 than there was in 1977—97.9 percent increase versus 95 percent, and GDP fell 7.2 percent in comparison with January-March, 1977. The rise in the GDP for 1978 is estimated to be 3.7 percent.

This policy has been successful in reversing the trade deficit. Despite the Peronist disaster, the government obtained a favorable trade balance in 1976 and again in 1977 and will have another in 1978 (but less than 1977). Because of this policy, Argentina no longer faces a credit crunch because of a default in foreign debts. In fact, in September, 1978, the country repaid (two years before the due date) a billion dollars in loans arranged two years before.

Gradually, the government is reducing the government bureaucracy, particularly in the area of state enterprises. But tax evasion and the elimination of the budget deficit have not yet been completely successful. Fiscal policies have reduced government spending and

improved the collection of taxes so that in 1978 taxes will probably pay for 75 percent of the government's expenditures. In a period when real wages are falling, it is most important that tax evasion be curtailed. Because higher income groups are contributing their share to the economic stabilization program, social tensions may be eased.

The black market has been eliminated and capital outflows have been reversed. The nation's new foreign investment law has improved the investment climate. Between March, 1977, and August, 1978, \$500 million in new investments have come into Argentina and some \$300 million in profits have been reinvested. Most of this investment has been in oil and gas, the motor industry's plant, and machinery and chemical products. In short, there are real and important successes for the government's economic plan. Exports, particularly agricultural exports, have risen dramatically; there has been a balance of payments surplus every year since the old system ended; foreign currency reserves are near U.S. \$6 billion; and corruption has been eliminated from market transactions. Nonetheless, the costs of cleaning the economic mechanism are also noticed, particularly by the salaried groups, and pressure for relief is likely to grow. Anyone familiar with Argentine nationalism knows that regaining the confidence of international capital markets is a two-edged sword, particularly because some of these money interests were believed to be connected to Marxist guerrillas and other "anti-national" interests. In the army, Diaz Bessone, the head of the planning commission, reflected the hostility of the military to international capitalism.

Argentine-Chilean relations have been strained to the breaking point ever since Argentina rejected as null and void the Beagle Channel dispute arbitration which gave Chile the three islands in the area. Indeed, the possibility of armed conflict over the islands cannot be ruled out. Chile has concentrated some 25,000 soldiers in the area between Puerto Natales and Punta Arenas. For a number of years, the Chilean military has been receiving military advice from the Israelis and has apparently adopted the Israeli doctrine of "limited and persuasive war." Likely Chilean targets in Argentina are Argentina's coal mines at Rio Turbio, the port of Rio Gallegos, and the oilfields around Comodoro Rivadavia.

Although it is unlikely that the Argentines will seize the islands, this action is not out of the question. Argentine troops have been sent south, and a munitions buildup has occurred at Ushuaia, a naval base looking into the Beagle Channel. Argentina has called up reserves, held air raid alerts and blackouts and moved naval combat forces to the south. Argentine diplomatic moves make it clear that if conflict breaks out Chile will be faced with a possible two-front war. Peru and Bolivia have long sought to recover territo-

ries won by Chile in the War of the Pacific of 1879. These lands include the rich copper-bearing desert provinces Peru lost and the access to the sea Bolivia lost.

The principal issues between Argentina and Chile are (1) the ownership of the islands, (2) maritime limits that island ownership affects, (3) navigation rights in the Magellan Straits, (4) exploitation of the sea, including subsoil hydrocarbon deposits, and (5) territorial claims in the Antarctic. As of early 1979, the question of ownership is to return to arbitration, with the Argentines apparently willing to accept an adverse verdict on the ownership of the islands on the condition that the off-shore waters on the Atlantic side are accepted as Argentine by a special protocol.

It is not clear that this compromise will be acceptable to Chile. As a result of the award, Chilean President Augusto Pinochet has claimed the waters off the Atlantic nearly as far as the South Georgian islands and additional areas in Antarctica. In addition, the Chilean Ambassador to Argentina, Sergio Onofre Jarpa Reyes, recently declared that "Chile needs an outlet to the Atlantic in order to trade with Africa" and that "the concept of the absolute division of the oceans has evolved a great deal."

The climate of the negotiations may improve because Admiral Emilio Messera is no longer a member of the junta. The Chileans perceived his posture as particularly aggressive. It is to the interest of both states that their differences be worked out amicably. It is likely that this will take political rather than legalistic skills. The current negotiating scheme apparently involving former United States Secretary of State Henry Kissinger seems to be moving in this direction.

Argentina continues her low grade but chronic dispute with Brazil (and to a lesser degree with Paraguay) over the uses of hydroelectric power in the River Plata basin. Another chronic dispute, with Britain, concerns the Malvinas/Falkland islands, and involves not only ownership of the islands but also Antarctica, off-shore oil and fishing rights. Besides the Chilean dispute, Argentina's most acrimonious dispute has been with the United States over the application of President Jimmy Carter's human rights policy.

During the past two years, Argentine-United States relations have deteriorated to their lowest state since World War II. The Carter administration's human rights policy has undermined United States-Argentine military relationships and threatened economic relationships as well. While Terence Todman was Assistant Secretary of State for Latin American Affairs, he resisted the moves to veto economic or military aid on human rights grounds by the Inter-Agency Group on Human Rights and Foreign Assistance chaired by

*Sponsored by Edward Kennedy (D., Mass.) and the late Hubert Humphrey (D., Minn.).

Warren Christopher. Todman was a spokesman for those mostly career State Department officials who saw that United States-Latin American relationships involved a complex of United States interests of which human rights was a part rather than a controlling policy. After a great deal of criticism directed at Todman, he was replaced as Assistant Secretary by Viron P. Vaky, the former ambassador to Venezuela. Todman was named ambassador to Spain.

The administration's human rights policy has support in Congress. The Humphrey-Kennedy amendment,* which became effective in October, 1978, bans all arms sales to Argentina. Just before the October deadline, an agreement was reached with Argentina whereby Argentina will pay \$700,000 a year for the training of 30 officers at United States military bases. In a statement before the Inter-American Press Association, Senator Kennedy of Massachusetts denounced the accord, noting that there was "no justification for a military training contract, concluded only days before it would be completely illegal, with a military regime noted for the brutal repression of its citizenry." The Senator also asked President Carter to rescind the agreement.

Earlier, the State Department's top human rights official criticized the Argentine government for human rights violations before a House of Representatives subcommittee one week after the home of Admiral Armando Lambruchini, the Navy's new representative on the ruling military junta, had been bombed by terrorists, killing the Admiral's 15-year-old daughter. The State Department official, Patricia Derian, accused the Videla government of "systematic torture" of terrorists, which the government has denied since coming to power in March, 1976. The Videla government admits that "uncontrolled elements" have committed kidnappings and killings but reacted heatedly to charges that the government was involved. To underline its case, the government has agreed to admit an investigation team from the Organization of American States (OAS) human rights commission.

Amnesty International (AI) has reported continuing disappearances in Argentina and has charged that official law enforcement agencies caused the illegal disappearances. Although the reports of disappearances are probably true, Amnesty International's effort to link them to official government bodies is not widely accepted in Argentina. In Argentina, AI appears to have a strongly leftist bias. The most recent example Argentines cite is the naming of Professor

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"On balance, Brazil seems poised for accelerated political change, either hard-line military reaction to opposition margins in the November, 1978, legislative elections or concessions that will address the growing pressures to reorder national priorities and allow greater debate."

Brazil's Definition of Democracy

BY ROBERT M. LEVINE

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WRITING in March, 1975, Tad Szulc noted that civilian rule, according to opposition consensus, would return to Brazil by "the latter part of 1978."¹ Time has proved the prognosis premature; although the atmosphere has changed in dramatic fashion, the generals remain in power.* The hand-picked presidential successor, João Baptista Figueiredo, has emphasized his reluctance to accelerate liberalization, and the opposition party, the MDB, turned to a military candidate, General Euler Bentes Monteiro, to contest the presidential succession. Incumbent President Ernesto Geisel has called the post-1964 authoritarian system "relative democracy"; he and others, including national hero Pelé, charge that the Brazilian people are insufficiently mature to deal with conventional democratic forms.

But the fact that public debate has focused squarely on democracy, however defined, underscores a significant fact of Brazilian life: expectation hangs in the air that the military regime will permit *abertura* (opening, or democratization) to the point where there will be return to the rule of law. If this occurs—and the generals have pledged to redemocratize repeatedly, despite occasional setbacks—it will represent an event of major international significance: return to civilian rule, peacefully, after a lengthy dictatorship and the accompanying socioeconomic transformation of at least some aspects of national life. Such voluntary relinquishment of military rule occurred in Brazil in 1894 and again in 1950, but in recent history it would stand unique, especially given Brazil's new economic prowess—tenth among the world's nations in gross national product (GNP)—and diplomatic stature.

Geisel's presidency, reflecting the general's austere and colorless style, never generated much enthusiasm

*The author wishes to thank Kenneth P. Erickson and Nielsen Pires for commenting on the manuscript of this article. All views expressed, however, are the author's.

¹Tad Szulc, *The New Yorker*, March 10, 1975, cited by Harry Maurer, "Is Brazil on the Brink of Democracy?" *New York Review of Books*, vol. 25, no. 4 (September 28, 1978), p. 43.

²Maurer, *op. cit.*, pp. 46-47.

³*Istoé* (São Paulo), vol. 2, no. 97 (October 31, 1978), p. 2 (editorial); pp. 3-8.

among the regime's supporters; his arbitrary selection of Figueiredo, who has shown a knack for candid statements that ruffle feathers, alienated a sizable portion of the military command, including Bentes Monteiro himself. Two high-ranking and outspoken generals—Sylvio Frota and Hugo Abreu—had to be neutralized amidst a heavy air of tension not unlike the atmosphere that surrounded United States President Harry Truman's firing of General Douglas MacArthur; high-ranking officers have been regularly placed under protective arrest, stripped of their commands, and otherwise punished for challenging Geisel or demanding democratic reforms.²

Expectations for *distensão*—the relaxation of arbitrary military rule—were kindled by Geisel himself in 1974, when he acted to assert personal control of the more or less decentralized repressive apparatus installed in the aftermath of the 1968 crisis of the regime. At that time, the President moved to expand press freedom and to permit local elections, providing a measure of greatly expanded "political space." A turning point came in 1975, when the death of Vladimír Herzog, a popular television journalist, at the hands of São Paulo military torturers provoked an unprecedented wave of public protest. World attention was focused on Brazilian violations of human rights, and Geisel was moved to fire the hard-line general responsible for the São Paulo military region. Significantly, a federal court in October, 1978, officially blamed the state for Herzog's death, a decision that electrified proponents of civil rights. The government immediately filed an appeal, but the symbolic lesson of the judge's ruling can never be erased.³

On October 15, the national electoral college, legally constituted in a form guaranteed to ensure Geisel's choice, dutifully confirmed General Figueiredo as President-designate, an anticlimactic event that capped a campaign of far greater importance in that opposition voices reached unprecedented heights of acrimony. By restricting political advertising to photographs and bare descriptions of candidates—and by barring discussion of issues in the campaign leading to national elections on November 15, Geisel effectively limited suffrage to a small, politically aware

segment of the population. In case of opposition victory, or excessive congressional intransigence, the government has made plans to split the opposition by creating new political parties, one of which, in a concession to intellectual dissidents, may have a socialist coloration. But at least at the outset of his presidency, Figueiredo is expected to maintain the upper hand.

Geisel's timing of *abertura* underscored his insistence that redemocratization be carried out within the boundaries of his version of "relative democracy." When the MDB blocked a constitutional amendment in April, 1977, Geisel unceremoniously closed Congress for two weeks, enacted the modification by decree, and issued a "package" of stern measures which, taken together, reduced the opportunities to challenge the system by legislative dissent. Later in 1977, these measures were supplemented by additional pronouncements that acted to temper the authoritarian edge of his package; thus he stated his intention to dismantle the hated 1968 Institutional Act #/5, the central mechanism of government repression. On the whole, the reforms promise to strip away the cruder devices of authoritarian rule but will preserve the controlled and managed environment of the 1964-1968 period.

The intensity of the electoral campaign surprised even the MDB, whose candidate, General Bentes Monteiro, mounted a slow-starting but rousing nationalist attack on the government that culminated in an impassioned plea for amnesty and a return to full democratic privileges. Not even the MDB remained unified; its dissident wing only tacitly supported Bentes and threatened to break away. But of greatest significance was the fact that, for the first time in 14 years, businessmen, labor leaders and intellectuals spoke out publicly alongside the MDB politicians. In September, 25,000 people attended a Bentes rally in Florianópolis; this was the largest rally in many years in Brazil. Speeches were interspersed with cries of "down with the dictatorship"—highly courageous acts, given the ubiquitous government surveillance of political gatherings.⁴

Another facet of the electoral campaign has been the broadening of opposition criticism, which has

⁴*Latin American Political Report* (London), vol. 12, no. 39 (October 6, 1978), p. 11 (hereafter cited as LAPR).

⁵LAPR, vol. 12, no. 37 (September 21, 1978), p. 292; vol. 12, no. 41 (October 20, 1978), p. 324. *Der Spiegel* related charges of corruption leveled at Trade and Industries Minister Angelo Calmon de Sá and Finance Minister Mario Henrique Simonsen.

⁶LAPR, vol. 12, no. 41 (October 20, 1978), p. 324.

⁷Brazilian journalists were not allowed to ask questions. *Brazil Today* (Washington, D.C.: Brazilian Foreign Ministry), (September, 18, 1978), p. 3.

⁸LAPR, vol. 12, no. 14 (April 14, 1978), pp. 108-109. Archbishop Arns' words were censored during a telecast from Rome of the inauguration of Pope John Paul II.

embraced social issues as well as political. The Roman Catholic Church, led by Archbishop Paulo Evaristo Arns of São Paulo, the national Bar Association and the Press Institute have all entered the debate over amnesty and liberalization; attention has been focused on inflation, economic woes, and striking factory workers. In September, dissidents gave the government a petition (signed by more than one million Brazilians) calling for a price freeze. Dozens of newspapers and magazines, pugnacious if short-lived, appeared throughout the country, challenging the regime and expanding the clamor for democracy. Allegations of corruption among top officials ran rampant and touched Figueiredo himself through his son, who was revealed to be the owner of a drive-in theater built with public funds.⁵

All this increased tension, particularly during the month between Figueiredo's "victory" in the electoral college and the November 15 legislative elections. Figueiredo himself joked about it, telling foreign correspondents that he would guarantee *abertura* if he had to jail and beat those who resisted.⁶ In another interview, he spoke with less jocularity, suggesting that an opposition majority would obstruct the road to a "democratic norm."⁷ Top military officials have bridled at dissidents, especially in the Church, who have continued to speak out on human rights. The President-designate's brother, commander of the Eighth Military Region in Belém, recently attacked "priests who advocate subversion." Figueiredo himself has disparaged "the excessive social concern among the clergy."⁸

POLITICS AND FUTEBOL

Every four years an international event occurs—the soccer World Cup—which transfixes the Brazilian population and, especially since 1958, has played (pun intended) into the hands of government publicists. As three-time world champions (1958, 1962 and 1970) and therefore the only nation to retire the esteemed Jules Rimet trophy, Brazil's normal *futebol* mania expands to unprecedented levels in tournament years. Even in off-years—three years in four—the season extends to 49 weeks; vast numbers of Brazilians (92 percent of the urban population of Rio de Janeiro) purchase weekly sports lottery chits; and arguments over *futebol* overshadow all other public issues. Total Brazilian stadium capacity exceeds 4.3 million seats, compared to 3.2 million in the United States, with twice the population and a many times higher per capita income.

Direct government involvement in soccer dates to 1970, when President Emilio Garrastazu Médici seized on Brazil's World Cup victory to coopt badly needed support for his repressive regime. Médici appeared regularly at Rio's Flamengo stadium (Flamengo, the first major team to admit blacks, is

known as the "people's" team), not only allowing himself to be photographed with Pelé, Jairzinho, Carlos Alberto and other heroes, but publicly offering good-natured advice to manager Zagalo. Following a disappointing showing in the 1974 World Cup in West Germany, military officials moved to take over the national team directly, naming Claudio Coutinho, a retired army captain (and an alleged torturer during his army days), as manager for the 1978 Cup effort in Buenos Aires. Coutinho ran the team like a battalion, provoking protests from his players over his sternness and his arbitrary selection of athletes, allegedly for political reasons.

The timing of the 1978 World Cup matches, in fact, offered certain opportunities in the realm of diplomatic affairs. Itamaratí, the Foreign Ministry, chose to announce the unilateral cancellation of scheduled negotiations with Argentina and Paraguay over the Itaipú and Corpus hydroelectric projects at the height of World Cup preparations, thereby keeping the story off the front pages of Argentine newspapers. For its part, the Argentine military regime capitalized handsomely on the matches, successfully and peacefully staging the games and thereby enhancing its international image. In addition, the euphoria produced by the Argentine victory bolstered its domestic prestige.⁹

The Brazilian reaction to Argentina's championship was immediate and angry. Owing to technicalities of the rules, the Brazilian team, playing Coutinho's cautious defensive game, actually amassed a better won-lost record but was eliminated when Argentina defeated Peru in the semifinals by a lopsided score. Brazilian fans, thousands of whom had traveled to Argentina, charged angrily that the Peruvians had been bought. Given the seriousness with which *futebol* is taken in the region, the sad denouement in late June assumed the proportions of international perfidy.

On the economic front, news has been mixed. On one hand, the euphoric "economic miracle" of 1968-1974 has been proclaimed dead by observers. The 10 percent annual growth rate of that period subsided to 4.7 percent in 1977.¹⁰ The basis of the miracle was the great influx of foreign investment after the military government proved that it could restore domestic order. By 1975, reality had begun to set in. The exceedingly high debt service strained the econo-

⁹LAPR, vol. 12, no. 25 (June 30, 1978), p. 196.

¹⁰Maurer, *op. cit.*, p. 43.

¹¹*Brazil Today*, August 29, 1978, p. 2. The other three Brazilian companies on the list are foreign or privately owned: General Motors of Brazil (312th); Ford (334th); and Matarazzo (371st).

¹²*Business Week*, July 31, 1978, pp. 45-46.

¹³*Brazil Today*, August 29, 1978, p. 2.

¹⁴*Latin American Economic Report* (London), vol. 5, no. 37 (September 23, 1977), p. 148.

my severely, and inflation, accelerated by the impact of higher oil prices, began to climb to dangerous levels—to a rate of about 40 percent in 1977 and higher in 1978.

On the other hand, Brazil remains attractive to investors. Five government-backed industrial concerns rank in *Fortune's* list of the 500 biggest firms in the world outside the United States: Petrobrás (21st), Companhia Siderúrgica Nacional (300th), Usiminas (308th), Vale do Rio Doce (331st), and Sanbra (359th).¹¹ *Business Week* remarked that Brazil's fledgling arms and aviation industry might be headed for the big leagues only three years after it began to export arms. By the 1980's, it expects to sell a half-billion dollars' worth of arms annually, equal to the military exports of France or Great Britain in the 1970's. Brazilian armaments—including Xavante jet training fighters and 11-ton Cascavel tanks fitted with 90 mm guns and laser rangefinders—are "especially attractive" to third world nations, *Business Week* adds, "because they are free of ideological ties."¹² Bolivia, Qatar, and Libya have bought Cascavels. Naval construction totaled 1.4 million tons in 1978, double the 1977 output; the Inter-American Development Bank has granted additional financing to encourage Brazil to export to Latin American markets. While agricultural production has leveled off (coffee and sugar remain in a slump), industrial output rose more than 6.4 percent in the first half of 1978.¹³

The economic hardships of the lower and middle classes—real food and shelter costs are higher now than in 1964—still give rise to controversy, as does the favored status given to foreign multinationals. Local firms, battling for a larger share of the hard-hit capital goods sector, have charged favoritism to foreign investors. This fans nationalistic feeling as the post-1974 slowdown continues and the political opposition attacks the government's economic priorities. Critics have demanded curbs on profit remittances abroad and incentives for domestic corporations.¹⁴

FOREIGN POLICY

Itamaratí's foreign policy initiatives continue to bear fruit. In late 1977 and early 1978, General Geisel received Venezuela's President Carlos Andrés Pérez in Brasília and then paid a four-day state visit to Mexico, thus consolidating bonds between the two nations and symbolizing Brazil's ability to forge friendly ties with leading non-military states in the hemisphere. In March, the German-speaking Geisel traveled to West Germany, to blunt the impact of United States pressure on Bonn and Brasília to cancel the nuclear agreement between Brazil and West Germany. Conversations touched on the possible expansion of trade relations, including joint manufacturing ventures whereby Brazil would produce arms (including the Leopard tank, currently sold to Syria)

for German firms, thereby circumventing restrictions on West German arms sales to non-NATO countries.¹⁵

Brazil's major hemispheric initiative—negotiations toward a multilateral Amazon Pact first proposed by Brasília in late 1976—moved closer to reality when delegates from 8 countries (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Surinam, and Venezuela) met in May. When it was originally introduced, the plan was met with suspicion, but bilateral Brazilian negotiations have largely soothed fears; in October, all the prospective member states except Venezuela formed an agency to coordinate the activity of national and foreign business in the Amazon region, aiming to encourage, in Itamarati's words, "settlement of the international Amazon basin."¹⁶

One diplomatic mini-crisis over alleged Brazilian complicity in Chilean assassination plots exacerbated sensitive (and deteriorating) United States-Brazilian relations and reached to President-designate Figueiredo himself. In January and again in May, officials in the Brazilian government angry at Geisel's choice of Figueiredo leaked a document purporting to be coded exchanges between Figueiredo, the head of Brazil's Intelligence Agency (SNI), and the Ambassador to Portugal, General Carlos Alberto da Fontoura; referring to an Operation Code No. 12 against two Brazilian exiles in Santiago in 1975, which called for "assassinations to be staged as accidents" in collaboration with Chile's secret intelligence (DINA). Political commentators in Brazil generally termed the messages fabrications, but demanded fuller explanations about joint SNI-DINA operations. For its part, the SNI remained silent but tried to suppress the leaked material; some SNI officials blamed the United States Central Intelligence Agency (CIA) for attempting to slander Geisel and Figueiredo in jealous retaliation for Brazil's nuclear agreement with West Germany.¹⁷

Brazilian society, which has lived under authoritarian rule for more than 14 years, shows acute signs of restlessness. It is likely that the fierce outcry at the death of Vladimir Herzog even surprised officials, and there have been sporadic instances when groups of citizens turned against policemen trying to arrest persons for vagrancy or for not carrying identity documents. On the whole, Brazil is inadequately policed; fear of *assaltos* (muggings and street assaults)

¹⁵ LAPR, vol. 12, no. 9 (March 3, 1978), p. 70.

¹⁶ *Brazil Today*, October 20, 1978, p. 4. See also João Alves das Neves, "El Pacto Amazónico y los equívocos regionales," *Opiniones Latinamericanas*, September, 1978, pp. 30-31.

¹⁷ LAPR, vol. 12, no. 2 (January 13, 1978), pp. 9-10; vol. 12, no. 13 (April 7, 1978), p. 99; vol. 12, no. 20 (May 26, 1978), p. 155.

¹⁸ Maurer, *op. cit.*, p. 45.

¹⁹ "Document of the Eight," cited in Maurer, *op. cit.*, p. 46.

has reached new heights. City dwellers no longer walk comfortably at night even on streets traditionally considered safe; journalists have focused attention on rising violent crimes committed by children barely in their teens. The fact that newspapers have frequently mentioned that attackers are often *moleques* (blacks) who carry guns adds a racial dimension. Some residential zones are better policed than others, and many Brazilians believe that protection is linked to voting—that a neighborhood that votes for the opposition will be punished if the incumbency holds power, and vice versa. Small cities like João Pessoa and Campinas, formerly relaxed and almost free of street crime against the affluent, have been caught up in the fear characteristic of larger cities and urban centers outside Brazil.

There have been other, dramatic signs of change reflecting a growing willingness among politically conscious Brazilians to speak out against abuse and in favor of a return to a rule of law. Labor leaders have shown unusual firmness in demanding higher wages; in São Paulo, the first strike since the OSASCO walkout in 1968 swept industrial workers, starting at the Saab-Scania automotive plant; the strike involved at least 25,000 factory workers and resulted in unexpected official tolerance and concessions to the strikers. This followed a mass rally of trade unionists on May Day, an event similarly unchallenged by the government, which seems to be recognizing, tacitly, that it can no longer ignore the workers' demands. Some emboldened labor leaders, in turn, have mounted campaigns to unseat pro-government union officials; others have called publicly for now-illegal direct wage negotiations between employers and employees.¹⁸

Some unexpected converts have joined the chorus against military rule. A São Paulo-based businessman's group headed by Claudio Bardella, owner of the largest capital goods company in the country, issued a public statement demanding full democracy as the only politically compatible vehicle for economic development and adding a plea to redress the "profound social inequalities" produced by the Brazilian model.¹⁹ There has been a steady erosion of support for the government among those who enthusiastically welcomed the 1964 coup, many of them nationalists. Others have turned to the *abertura* campaign in ex-

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“...unless the United States adopts a more pointedly constructive policy toward Mexico, both nations are unlikely to reap the benefits made possible by the existence of huge quantities of Mexican petroleum.”

Mexico's Petroleum Resources

BY RICHARD B. MANCKE

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THE southeastern Mexican states of Chiapas and Tabasco were long regarded by most geologists as a petroleum backwater.* Consequently, most oil industry observers were surprised when Mexico's national oil company, Petróleos Mexicanos (or Pemex), struck deposits of commercially recoverable oil while drilling the region's first deep wildcats in 1972. In the early years following Pemex's discovery, most world oil observers attached relatively little importance to what was to become known as the Reforma Trend. Thus, in February, 1975, the *Wall Street Journal* expressed modest optimism when it reported that: “Astute observers in and out of Mexico wouldn't be surprised if oil reserves in the Reforma region eventually prove to total at least two billion and possibly four billion barrels or more.”¹ Three months later the *Oil and Gas Journal* ran a less optimistic headline: “Mexico's Crude Exporting Role May Be Short-Lived.”² With four billion barrels of recoverable petroleum reserves, the Reforma Trend would have qualified as a large discovery—roughly half as large as the Prudhoe Bay field on Alaska's North Slope. But it would not have been large enough to trigger substantial changes in the course of the world oil trade. This assessment started to change rapidly in late 1976, as

Pemex began releasing frequent and substantial updates of Reforma's probable petroleum reserves.

In April, 1977, Pemex's director general, Jorge Diaz Serrano, was reported as stating that a lower-bound estimate of the sum of proved, probable, and potential commercially recoverable petroleum reserves in the Reforma Trend would exceed 60 billion barrels.³ Moreover, large additional petroleum reserves were known to lie under the adjacent offshore waters of the Campeche Sound. Exaggeration is common when cash-poor, overpopulated countries discuss their oil potential. Nevertheless, subsequent discoveries support the inference that Pemex's April, 1977, projections of southeastern Mexico's petroleum potential were indeed conservative.

By late 1977, articles in the oil trade press were suggesting that, even if additional exploration did not result in further extensions of the geographical boundaries of Mexico's new oil regions, their recoverable reserves were likely to be in the neighborhood of 100 billion barrels.⁴ And if additional drilling demonstrated that the Campeche trend continued farther offshore into the waters of the Gulf of Mexico, reserves in excess of 200 billion barrels were thought possible.

Pemex's subsequent exploratory drilling has proved successful. Thus, on September 1, 1978, President Lopez Portillo reported to the nation that Mexico's potential reserves of petroleum had risen to 200 billion barrels.⁵ At 60 billion barrels, the Reforma Trend already ranks as the world's third largest productive area—exceeded only by the legendary Persian Gulf giants of Bergen in Kuwait and Ghawar in Saudi Arabia. At 200-plus billion barrels of commercially recoverable petroleum reserves, Mexico would be catapulted into the position of Saudi Arabia's co-equal.

Petroleum finds of the magnitude and location of Reforma's and Campeche's may transform the world's energy picture in the 1980's. Assuming that Pemex maintains its present target of a reserve-to-annual production ratio of 20 to 1, reserves of 100 to 200 billion barrels could support sustained production of crude oil and associated natural gas at a daily rate

*This article is based on material that appears in Richard B. Mancke, *Mexican Oil and National Gas: Political, Strategic, and Economic Implications* (New York: Praeger, 1979).

¹“Oil Gives Mexicans a Boost, But They Plan to Stay Out of OPEC,” *Wall Street Journal*, February 11, 1978, p. 1.

²“Mexico's Crude Exporting Role May Be Short-Lived,” *Oil and Gas Journal*, May 26, 1975, p. 25.

³“Pemex Has New Chiapas-Tabasco Finds,” *Oil and Gas Journal*, May 2, 1977, p. 120.

⁴One of the better and more accessible technical assessments of southern Mexico's petroleum potential is A. A. Meyerhoff and A. E. L. Morris, “Central American Petroleum Potential Centered Mostly in Mexico,” *Oil and Gas Journal*, October 17, 1977, pp. 104-09. Meyerhoff and Morris indicate, p. 107, that the “stratigraphic kinship of southern Mexico with the Chapayal basin suggests Guatemala should have valuable potential reserves.”

⁵“Mexico's Oil, Foreign-Exchange Reserves Soar; President Cites Economic Recovery,” *Wall Street Journal*, September 5, 1978, p. 6.

exceeding 10 million barrels of crude oil equivalents. (For comparison, Saudi Arabia's production was 10.1 million barrels per day in November, 1978.) Since Mexico's domestic petroleum needs are likely to total only about 2 million barrels per day by the late 1980's, her export potential is enormous.

Long before the 1973 oil embargo by the Organization of Arab Petroleum Exporting Countries (OAPEC), the United States was publicly committed to limiting its imported oil to levels that would not endanger national security. Since the 1973 embargo, achieving this goal has been thought to require a sizable reduction in present oil import levels. But known United States reserves of crude oil able to be produced commercially by conventional means are inadequate to support sustained output expansion and are probably insufficient to halt the post-1970 decline more than temporarily.

Therefore, in addition to embracing the poorly defined "motherhood" goal of greater energy conservation through increased energy efficiency, two basic options have been advocated for meeting future United States energy demands without creating an unacceptable level of reliance on imported fuels. One option is to begin immediately to introduce the huge government-sponsored research and development, subsidies, and taxes necessary to facilitate an environmentally acceptable, massive switch from petroleum fuels to coal or nuclear power and to stimulate large-scale commercial production of non-conventional petroleum substitutes like coal synthetics, tar sands and oil shale (which are presently uneconomical and, in many cases, technically unproved on a commercial scale). The second option is to introduce the huge research and development, subsidies, and taxes necessary to sever the traditional linkage between a growing gross national product and growing energy consumption and to foster the rapid commercial development of renewable energy sources best exemplified by solar power.

Adoption of either energy strategy would be enormously expensive and time-consuming. Moreover, even with substantial government incentives and encouragement, it is uncertain that either strategy could succeed in reducing United States reliance on insecure OPEC oil. The discovery of enormous amounts of crude oil and natural gas in southeastern Mexico raises the possibility that, at least for the next 20 years, the United States can simultaneously reduce its consumption of insecure oil imports and cut back sharply on the size and intensity of its commitment to perfecting either or both of its energy options. But this will necessitate implementing

policies aimed more directly at encouraging the rapid acceleration of the production and export of Mexican oil and natural gas.

DEVELOPING MEXICO'S PETROLEUM

The United States is a likely source of encouragement and, possibly, extensive assistance to further the accelerated production and export of Mexican petroleum. Because it is now known that Mexico possesses huge reserves of commercially recoverable petroleum, only two conditions must be satisfied before Mexico can become one of the world's leading producers. First, the Mexican government must decide that rapid development and production of the nation's petroleum treasure are in the national interest. Second, Pemex requires access to sufficient financial resources and technical expertise to allow production to be increased rapidly to the far higher levels that can be sustained by Mexico's large and expanding petroleum base.

The government of President Portillo has already moved to satisfy the first condition. Portillo recognizes that large exports of Mexican crude oil, natural gas, and their refined product and petrochemical derivatives offer the only credible means of allowing his nation of 65 million to escape an oppressive cycle of poverty, unemployment and underemployment, soaring population, and a foreign debt exceeding \$25 billion. Assuming maintenance of Mexico's mid-1978 price for oil exports (about \$13.35 per barrel f.o.b.), her gross annual revenues from the export of 1 million barrels per day of crude oil would be nearly \$5 billion, and (since Reforma's oil costs less than \$2.50 per barrel to produce) her annual net profits would almost certainly be in excess of \$4 billion or, at Mexico's 65 million population, about \$60 per capita.⁶

Satisfying the second condition will prove more difficult. The Reforma and Campeche reserves are huge and very productive—only 125 wells were needed to produce 700 thousand barrels per day in late 1977. Nevertheless, if Mexico is to achieve her full petroleum-producing potential as quickly as is technically possible, year-to-year gains in production would be about 1 million barrels per day by the early 1980's. To achieve this technically and economically feasible rate of expansion would require a fourfold increase from 1977 drilling levels.

Even more difficult would be the job of building quickly, and largely from scratch, the infrastructure necessary to permit such an acceleration in output: gathering lines and storage areas, new deepwater ports, huge units to separate associated natural gas and sulphur from crude oil, pipelines to transport natural gas to the industrial cities of northern Mexico and, eventually, to the enormous gas-hungry pipeline network of the United States. The well-known problems in building the trans-Alaskan pipeline and de-

⁶For derivation of the cost estimates see Richard B. Mancke, *Mexican Oil and Natural Gas: Political, Strategic, and Economic Implications*, (New York: Praeger, forthcoming, 1979), ch. 3.

veloping the North Sea's oil reserves suggest that a rapid and potentially much larger expansion of Mexico's petroleum output would stretch the capabilities of a consortium of the largest and best-managed international oil companies.

Pemex was created in 1938 to take over the Mexican assets of the just-nationalized American and British oil companies. It was the non-Communist world's first integrated national oil company and has been a model for subsequent members of the genre. Nevertheless, the company faces four difficulties common to national oil companies in most developing countries. First, it is short of cash. However, this deficiency is easily remediable, because Pemex's huge petroleum reserves give her ready access to world capital markets. Second, compared to large private oil companies, Pemex is plagued by low labor productivity because of featherbedding labor practices in blue-collar jobs and an overstaffed (some business magazines suggest corrupt) middle management. Third, the combination of Pemex's revolutionary birth and restrictive labor contracts sharply constrains its employment of foreign expertise. Charges of "foreign exploitation" and "loss of economic sovereignty" are not easily refuted in Mexico.

Fourth, in addition to the enormous job of developing the petroleum reserves of Reforma and Campeche, Pemex is also charged with developing a refining and petrochemical business that could become a major force in world markets. If Reforma's crude oil and natural gas are to be developed at close to the maximum technically feasible rate, Pemex will have to devote nearly all its resources to the effort. Even so, extensive foreign assistance will be necessary. The United States is the most obvious source of this assistance.

POTENTIAL U.S. MARKETS

The United States offers the largest and most accessible market for exports of Mexican oil and natural gas. Since crude oil is a highly fungible product, after making appropriate allowances for differences in economically important factors like sulphur content and specific gravity, the price that a barrel can fetch in any market is determined by the cost of the oil it replaces. Today the Persian Gulf countries, especially Saudi Arabia, are the residual source of crude oil for all major world markets and thus, in the absence of price controls, crude oil's price in any market is the Persian Gulf price plus freight.

**Mexican oil could also be shipped to the United States west coast. However, since the completion of the Alaskan pipeline, this region of the United States has actually had a substantial oil surplus that is likely to continue until about 1985.

⁷Alvaro Franco, "Giant New Trend Balloons SE Mexico's Oil Potential," *Oil and Gas Journal*, September 19, 1977, p. 84.

The net wellhead value of any barrel of crude oil is equal to its price at the final market minus all prior production, transportation, and marketing costs. Because of its relative proximity, transport costs to the United States gulf coast are less than to all other potential major markets for Mexican oil exports. Conversely, the relatively long distance from the Persian Gulf means that oil fetches a higher price at the United States gulf than in most other major world markets. Thus, if Pemex's goal is to maximize its net revenues or profits from the sale of its oil, then United States gulf coast ports are the most desirable destination for Mexico's oil exports. Upon entering a United States gulf port, Mexican oil can be transshipped easily anywhere in the United States east of the Rockies.** The potential market is enormous—this vast region was consuming about 7 million barrels per day of imported crude oil and refined products in early 1978.

The Reforma crude oil deposits contain unusually high concentrations of associated natural gas, which must be separated from the crude oil prior to sale. After being separated, large quantities of Reforma's natural gas are flared. This wasteful practice can be halted only after pipeline facilities are put in place and domestic or foreign markets are developed. Some Pemex sources are already talking about the possibility of producing at least 10 trillion cubic feet of natural gas annually from the Reforma Trend by the mid-1980's.⁷ Because of insufficient domestic demand, approximately 5 trillion cubic feet (equivalent to annual crude oil shipments of 2.5 million barrels per day) would have to be flared or exported. Because liquefaction of natural gas and its subsequent transportation by tanker are many times more expensive than shipping natural gas via pipelines, the United States is the natural market for nearly all of Pemex's natural gas exports.

Mexico is a developing country with a large, rapidly growing population and an enormous foreign debt. Unlike nearly all the important oil-exporting countries, Mexico is not an OPEC member and her large and impoverished population has a nearly insatiable demand for goods and services. These facts increase the likelihood that, as long as OPEC is able to maintain world oil prices near their current level, Mexico will choose to be an expansionist oil exporter. OPEC's December, 1976, price split and its inability to agree to higher prices in December, 1977, are widely attributed to increased competition brought about by recent rapid growth in oil production from three non-OPEC sources: the North Sea, Mexico and Alaska. A gradual recognition by several leading OPEC producers that they would have to cut back their oil production in order to accommodate growing sales of Mexican oil would reduce substantially the probability of a future oil embargo.

In addition to Mexico's independence from OPEC, her geographical location greatly enhances her petroleum's desirability. The natural gas pipeline between Tabasco and Texas should be approximately as secure as pipelines located wholly inside the "lower 48" United States states. The round trip tanker voyage between the Bay of Campeche and Port Arthur, Texas, takes about a week, rather than the 90 days to and from the Persian Gulf. And, from a United States perspective, the international waters of the Gulf of Mexico are already among the most secure in the world. Moreover, a more than 50-year tradition of reasonably friendly relations between two neighboring nations makes it unlikely that Mexico would opt suddenly to suspend contracts providing for ongoing shipments of oil exports to United States importers. In short, United States imports of Mexican oil would be much more secure than imports of similar amounts of non-Western OPEC oil. Therefore, United States oil security will be enhanced if development of Reforma's huge reserves makes it possible to substitute large amounts of Mexican oil and natural gas for OPEC oil, especially from the Persian Gulf. If the United States can increase sharply Mexico's share of the total American market for oil imports, then it may be neither necessary nor desirable to adopt policies specifically aimed at reducing United States consumption of imported oil.

ECONOMIC BENEFITS TO THE UNITED STATES

After making allowance for the appropriate quality differentials, Mexican oil will sell in the United States at the same price as the OPEC oil it replaces. Therefore, except for the likelihood that growing exports of Mexican petroleum will constrain OPEC's future pricing, United States consumers will not reap direct financial savings by a switch to this source of energy supplies. Nevertheless, the switch to Mexican oil and natural gas is likely to yield four indirect, but valuable, economic or environmental benefits: a reduced deficit in the United States balance of payments; reduced requirements for high-risk, long-term capital investment; reduced need to subsidize the commercial development of currently uneconomic and, in most cases, as yet technically unproved alternative types of energy; and reduced environmental pollution. Sharply higher exports of Mexican petroleum also seem likely to yield a more intangible but nevertheless valuable dividend for both countries: by fostering faster economic growth within Mexico there is likely to be some reduction in the rate of illegal Mexican immigration into the United States.

Unlike super-rich and sparsely populated countries like Saudi Arabia or Kuwait, most of the foreign exchange Mexico reaps from the export of her petroleum will be spent almost immediately in acquiring foreign goods and services. Moreover, because of its

geographical proximity and comparative advantage in producing the agricultural commodities and industrial goods Mexico wants to import, the United States share of Mexico's total import market already is, and almost certainly will continue to be, far higher than its share of the import markets of any non-Western Hemisphere OPEC nation. Both these effects should work toward reducing the United States balance of trade deficit, and therefore, should help strengthen the dollar.

Because of Reforma's enormous size, productivity and accessibility, production of Mexico's petroleum can be accelerated sharply above currently planned levels within two to three years of a firm decision to do so. In contrast, with the exception of the natural gas at Prudhoe Bay on the Alaskan North Slope, as of mid-1978 the United States had no large new commercial petroleum reserves capable of rapid development. Unfortunately, construction of the trans-Canadian pipeline necessary to deliver Alaskan natural gas to United States upper Midwest markets would take at least three times as long and cost seven to ten times as much as construction of a pipeline that would transport the same quantity of Mexican gas from the Reforma fields to the Texas border. Similarly, projects to develop relatively abundant non-petroleum United States energy sources—coal, oil shale, nuclear power and coal synthetics—will take five to fifteen years to complete and entail capital investments several times higher than those necessary to produce and deliver similar quantities of Mexican oil or natural gas to the United States. For these reasons, a decision to place more emphasis on developing Mexican oil and gas and less immediate emphasis on developing alternative domestic fuels would lead to a large reduction in requirements for high-risk, long-term capital investments.

Coal and nuclear power are economic alternatives to crude oil and natural gas at current prices. However, with present technology, the use of both fuels is essentially restricted to heating large boilers. For such uses as transportation, most small-scale heating (e.g., homes), and industrial applications requiring clean combustion, there are now no commercial substitutes for natural gas and refined oil products. The development of non-conventional substitutes for petroleum is thought to require massive public subsidies and, even so, to entail a high chance of technical and/or com-

(Continued on page 90)

Richard B. Mancke's publications on energy policy issues include *The Failure of U.S. Energy Policy* (New York: Columbia University Press, 1974), *The Performance of the Federal Energy Office* (Washington, D.C.: American Enterprise Institute, 1975), and *Squeaking By: U.S. Energy Policy Since the Embargo* (New York: Columbia University Press, 1976).

“... unless political and economic changes are accepted, growing numbers of individuals, groups, and governments will offer moral and material support to the anti-Somoza guerrillas in order to topple Somoza.”

Nicaragua in Crisis

BY NEALE J. PEARSON

Associate Professor of Political Science, Texas Tech University

ON August 25, 1978, thousands of cheering Nicaraguans lined the six-mile highway between Managua and its international airport. Twenty-four guerrillas in green fatigues and 59 recently released political prisoners were being bused to planes that would fly them to freedom in Panama. The crowds not only cheered the guerrillas, members of the left-wing *Frente Sandinista de Liberación Nacional* (Sandinista National Liberation Front or FSLN);¹ they also taunted government troops along the way.

In a dramatic strike, the guerrillas, led by 42-year-old Eden Pastora Gomez—otherwise known as Commandante Zero—had seized the National Palace building on August 22 and had taken more than 1,500 hostages, including Jose Antonio Mora Rostran, Minister of the Interior, and Luis Pallais Debayle, vice president of the Chamber of Deputies and a cousin of President Anastasio Somoza Debayle's. On August 25, Somoza succumbed to guerrilla pressure, releasing political prisoners and paying a ransom rumored to be US \$500,000.

Two weeks after the FSLN group flew to Panama, other FSLN forces augmented by civilians took over and held six large cities for one or two weeks; the popular insurrection was trying to overthrow the third member of a family that had ruled Nicaragua for 42 years.

Official figures on casualties have not been released, but reports indicate that at least 1,500 civilians died and 5,000 were wounded in the two-week uprising. The downtown areas of León, the nation's second largest city, Chinandega, Esteli, Masaya and Matagalpa were all in varying degrees of ruin. And some 30,000 Nicaraguans fled to neighboring Honduras, where they crowded refugee camps, afraid to go home.

What happened in Nicaragua to lead to such bloodshed and intransigence? Nicaragua's factionalism and resentment of the Somoza family are largely responsible. The Somoza family—working

through the National Guard, the Liberal party, and key sectors of the economy—has shown considerable skill in manipulating political opposition since 1936, when the patriarch of the clan, Anastasio Somoza García, ousted his uncle from the presidency. While roads, schools, hospitals and hydroelectric plants have been built and agriculture has been diversified in Nicaragua, the Somoza family has benefited as much as if not more than any other group or sector of the society.

Inaugurated as President in January, 1937, Somoza—generally known as Tacho—made the Liberal party a personalist party and constructed a system of personal control. Making himself a General, he changed the constitution several times and ruled directly (1937-1947 and 1950-1956) or through puppets.

Somoza was shot on September 21, 1956, while campaigning for reelection in Managua; he died in a United States military hospital in the Panama Canal Zone. United States President Dwight D. Eisenhower called the attack “dastardly”; United States Ambassador Thomas Whelan commented that “We feel that we have lost a great friend whose attractive personality and generosity made us feel as if he were one of us.”

On Tacho Somoza's death, his 33-year-old son, Luis Somoza Debayle—president of the Congress—succeeded to the presidency for the rest of his father's term, and won reelection easily for the 1957-1963 term. Educated at various universities in the United States, Luis Somoza Debayle eased up somewhat on the opposition. Nevertheless, the Guard announced on September 30, 1960, that it had repelled the twentieth armed invasion since Luis Somoza became President; the invasions came principally from Costa Rica but many of them were spawned in Nicaragua, when the opposition saw that it could win control of the government only by force. Although it was allowed to participate in the January, 1963, election, the opposition refused to nominate a candidate; René Schick, a Somoza friend who had served as Minister of Education and as Minister of Foreign Affairs, became President. Schick's administration was marked by political freedom and considerable economic expansion; but Schick died suddenly in the summer of

¹The FSLN was a guerrilla group named after Augusto Cesar Sandino, who waged a classic guerrilla war against both the United States Marines and the Nicaraguan government in northern and eastern Nicaragua for six years, from 1927 to 1933.

1966 and was succeeded by Vice President Lorenzo Guerrero Gutiérrez, a physician who had served as Ambassador to Mexico, Minister of Education, and Minister of the Interior.²

Power returned to the Somoza directly when Anastasio "Tachito" Somoza Debayle—son of Tacho—won 70.8 percent of the 249,312 votes cast on February 5, 1967, to 27.2 percent for Fernando Agüero Rochas of the Traditional Conservative party (PCT).

Tachito—born in 1935—graduated from West Point in 1948 and learned enough about baseball and other American customs to impress many United States congressmen and businessmen while moving up in the ranks of the Guard, which he has controlled as Commander or President since 1955. A clause in the 1950 constitution provided that an incumbent President could not succeed himself. But on August 31, 1971, Congress dissolved itself and provided that Tachito Somoza would stay in office until a new charter could be prepared. A Constituent Assembly, which began work in May, 1972, completed its tasks two years later, and a new constitution went into effect on March 14, 1974. A new Congress was elected; and it, in turn, elected Anastasio Somoza Debayle for a six-year term beginning December 1, 1974.

As master politicians, the Somoza have balanced the competing interests of the National Guard, government bureaucrats, rural landowners, aspiring industrialists, merchants, a small trade union movement and the opposition parties, using jobs, pensions, favors, promotions, gifts, and security. The Somoza also exploited differences between opposition groups, which were very critical of one another.³

The Somoza amassed so much economic power through the purchase of plantation land, favorable loans for new business enterprises, and commissions for government purchases that in 1956 Tacho Somoza's income was estimated at \$1 million per year from 360 farms, 72 apartments and homes in Managua, the merchant marine, LANICA—the national airline—and investments in other countries. In 1978, it was estimated that the family was worth at least \$500 million. Employees of Somoza-owned or con-

²Luis Somoza died on April 13, 1967, of a heart attack.

³Emiliano Chamorro, the Conservative leader, had grown so weary of his struggle with the Somoza that he signed a so-called Pact of the Generals in 1950, which signified his willingness to work as a "loyal opposition." The pact lasted only until 1954, when the 85-year-old politician led another unsuccessful revolt. His faction was so decimated by government reprisals or because younger members repudiated his "personalism" or that of Agüero that the PCN came to be known as the Party of the Zancudos (pests or mosquitoes) because of its small size and inability to be anything other than a nuisance.

⁴Yearbook on International Communist Affairs 1977 (Stanford: Hoover Institution Press, 1978), p. 477.

trolled businesses readily contributed money and time to the Nationalist Liberal party, used by the Somoza to recruit people into political activity.

Significant economic gains have been made in Nicaragua during the rule of the Somoza family especially during the rule of the two sons. The number of schools, students, and teachers greatly increased; agriculture and industry were diversified and productivity increased; new highways and bridges were built although some critics argue that most new highways go past Somoza properties.

It is difficult, if not impossible, to find income data or government budget data for most Central American countries during the 1930's and 1940's. But data available for the 1960's and 1970's leads to the conclusion that the average Nicaraguan was better off in 1975 than the average Honduran but not so well off as the average "Tico" in neighboring Costa Rica.

Communist groups have been insignificant in Nicaraguan history. However, marxism has had a small influence in recent years among members of the Social Christian party, the trade union movement, and the FSLN guerrillas.

A party of Nicaraguan Workers (PTN) was founded in the 1920's. Shortly after Anastasio Somoza García came to power, a "Communist faction," led by Juan Lorio, Manuel Pérez, and Armando Amador, split away and reorganized itself as the Socialist party of Nicaragua (PSN). In 1939, Somoza declared the PSN illegal. However, during World War II, PSN elements came to dominate a small organized labor movement with Somoza's blessing, in order to reduce the influence of democratic opponents. In 1947, the PSN was again declared illegal and went underground. In 1967, several PSN leaders split away to form the Communist party of Nicaragua (PCN) which has no more than 100 members and is opposed to the Soviet Union. In 1977, it was estimated that the PSN had only about 160 members.⁴ Communists were nonetheless allowed to belong to the National Liberal party under Luis Somoza Debayle.

Probably the most important Marxist group has been the FSLN, which was founded in 1961 by Carlos Fonseca Amador, who maintained the necessity for direct action against the Somoza government but did little to implement this principle before he went into exile in Cuba in 1970. The FSLN achieved notoriety when a small force of its members seized 35 hostages—including Foreign Minister Alejandro Montiel Arguello—in a spectacular raid at a December 27, 1974, Christmas party in Managua honoring United States Ambassador Turner B. Sheldon. Three days later, in return for a \$1-million ransom and the release of 14 political prisoners, the hostages were released and the guerrillas were given safe air passage to Cuba. President Anastasio Somoza then declared a state of seige, suspended constitutional guarantees and or-

dered the creation of a special counterinsurgency unit, which was commanded in 1978 by his son, Major Anastasio Somoza Portocarrero, also known as Anastasio Somoza III.

The Sandinistas themselves consist of three groups. The *Guerra Popular Prolongada* (GPP) and the *Tendencia Proletaria* (TP) do not agree about whether they should oppose Somoza alone, the Somoza family structure, or the capitalist system and the Somozas alike. They have also argued whether the war against the Somozas should be fought in the countryside or in the cities. A third group, the so-called *Terceristas* or *Insurrecionales*, counts among its members Edén Pastora (Comandante Cero), and has focused on creating a mood of national rebellion that would lead to a military uprising to oust the Somozas.⁵

While the figure of Sandino provides a broad base to accommodate almost any anti-Somoza partisan, the Sandinistas have lost Amador and other leaders through military battles with the National Guard, and there is no recognized leader for all the factions.

On January 10, 1978, Pedro Joaquin Chamorro Cardenal, editor of the anti-government Conservative *La Prensa* newspaper and coordinator of the unsuccessful 1967 election efforts of Fernando Agüero, was assassinated. Some opposition leaders hold Somoza responsible for the killing. But there is some indication that Chamorro may have been killed because of reports Chamorro published about Miami physician Dr. Pedro M. Ramos, who operated a company that collected over 38,000 pints of human plasma per month in Nicaragua.

Chamorro's death provoked two days of protest and a general strike in which the Ramos firm, Centro Americana de Plasmaferesis, and several Somoza-owned buildings were destroyed. More important, various opposition groups created a Broad Opposition Front (FAO) to coordinate anti-Somoza efforts. The FAO is composed of 16 groups, including three labor unions; four factions of the Conservative party; two factions of the Socialist party; the Democratic Nicaraguan Movement (founded by Alfonso Robelo Callejas in 1977 after he left the presidency of the National Development Institute, a private enterprise group); a dissident faction of Somoza's own Liberal party, and a group known as *Los Doce* (twelve businessmen, intellectuals and priests who were among the hostages released by Somoza after the December, 1974, Managua raid).⁶

On July 19, a 24-hour general strike against the National Guard's treatment of political prisoners was called by the FAO and, one day later, FSLN members showed their audacity by entering the Managua Intercontinental Hotel and launching rockets at the

National Palace and a National Guard training school.

On August 22, the FSLN made its daring assault on the government palace. Three days later, the FAO called for a general strike, joined by two of Nicaragua's most prestigious business organizations within five days: the Federation of Chambers of Commerce and the National Development Institute (INDE). The only firms remaining open over the next week were the banks, which did not belong to either.

At about this time, policymakers in the State Department, the Defense Department and the United States Central Intelligence Agency, who shared an overly simplistic view that another Fidel Castro might come to power if Somoza fell, began to look for policy alternatives. On Sunday, September 23, the United States joined 24 other members of the Organization of American States (OAS) in a resolution calling on Nicaragua to accept "friendly cooperation" in an effort to mediate her political crisis. The outgoing United States Ambassador to Panama, William Jorden, then negotiated an agreement with the Somoza government. Three FAO representatives would meet with representatives from Guatemala, the Dominican Republic and the United States, all of whom would also meet with Somoza's government.

The FAO's minimum plan called for Somoza's resignation; the organization of a "national democratic and pluralistic government that unites the participation of all forces that will participate in the democratic change"; and the implementation of a program of 16 "minimum points" needed to prepare the basis of a true democracy in Nicaragua, including the reorganization of the National Guard, the elimination of political repression, freedom for political prisoners, a national health program, and tax and judicial reforms.

Somoza himself refused to negotiate with the FAO's representatives until his son's National Guard troops had effectively wiped out the last vestiges of popular resistance. Once negotiations began, Somoza made various moves to improve his bargaining position. He promised the OAS Commission on Human Rights "complete freedom" to visit the country when it arrived October 2. He also released seven opposition leaders arrested in September, including Calero Portocarrero. On another front, Somoza lobbyists persuaded 78 members of the United States Congress to sign a letter to President Jimmy Carter warning him that a "campaign of violence, urban terrorism and near civil war in Nicaragua" was being carried out by a "revolutionary group"—without naming the revolutionaries.⁷

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Neale J. Pearson is the author of articles and papers on peasant groups, trade unions and political parties in Latin America. He has traveled extensively there.

⁵*Latin America Political Report*, September 29, 1978, p. 299.

⁶*Latin America Political Report*, October 6, 1978, p. 307.

⁷*Latin America Political Report*, October 6, 1978, p. 311.

BOOK REVIEWS

ON LATIN AMERICA

MEXICO IN CRISIS. By Judith Adler Hellman. (New York: Holmes & Meier Publishers, Inc., 1978. 229 pages, preface, illustrations, notes, bibliography and index, \$15.75 cloth, \$7.95 paper.)

Judith Adler Hellman's well-written analysis of the Mexican Revolution and the political system that emerged in its wake cuts through revolutionary rhetoric and reveals the realities of Mexico's political, social and economic life.

She points out that the violent and bloody Mexican Revolution was not a popular revolution. Nor were the workers and peasants the heirs of the Mexican Revolution, despite political mythology. They did not gain effective power after the revolution nor did their representatives control the state. The group that emerged victorious from the revolution was the new elite of recently landed revolutionary generals, industrialists and businessmen, who prospered during and immediately after the revolution, and members of the prerevolutionary elite, who managed to preserve their positions of power by declaring themselves to be "with the revolution."

She describes how the revolutionary generals who ruled Mexico in the 1920's established a strong central government and how Calles established a political party that would provide an institutional framework for centralized rule.

Adler also examines the rapid economic development of Mexico that took place between 1940 and the present and is often described as the "Mexican miracle." She states that the "trickle-down" theory on which the strategy of Mexican development is based has resulted in an unequal rise in wages in relation to the cost of living. As a result, Mexican workers have experienced a fall in real wages. She describes the human costs of Mexican industrial development and notes that while Mexico has shown remarkable progress, "the majority of its people continue to live in a condition most accurately described as wretchedness or squalor."

Adler concludes pessimistically that "nothing short of a major upheaval in the Mexican system could generally improve the lot of the masses."

Mary M. Anderberg

PERU: A SHORT HISTORY. By David P. Werlich. (Carbondale and Edwardsville, Illinois: Southern Illinois University Press, 1978. 411 pages, preface, maps, a guide to further study and index, \$17.50.)

In his excellent survey of Peruvian history, David P. Werlich points out that "The salient characteristics of Andean society existed long before the Incan conquest." Reviewing the early history of Peru, he draws attention to those features of Andean life that were reinforced during the Incan and colonial eras.

The greater part of his study focuses on events in Perú since World War I. Of particular importance is his evaluation of Belaúnde's "revolution without bullets," the rapid expansion of public spending and debt during his presidency and the conflict with the International Petroleum Company. Events in Peru since the establishment of the Revolutionary Government of the Armed Forces in 1968 are covered in considerable depth. Werlich notes that the nation continues "to be plagued by rampant inflation, lagging economic growth, high unemployment and a staggering foreign debt." Nevertheless, the "environment has undergone considerable change since Belaúnde In spite of its many failures, the dictatorship strengthened the state and established new standards for effective government. . . ."

M.M.A.

BRAZIL: A POLITICAL ANALYSIS. By Peter Flynn. (Boulder, Colorado: Westview Press, 1978. 522 pages, acknowledgments, illustrations, map, notes, abbreviations, glossary, bibliography and index, \$28.75.)

The English scholar Peter Flynn has written a lively and perceptive political analysis of Brazil for the Nations of the World series. Historical roots in the periods of the monarchy and the coffee oligarchy of those forces that shaped the modern state are reviewed. The author emphasizes the essential continuity of Brazilian politics after 1930 and thoroughly examines the Estado Novo of Vargas and the events that led to the coup against Goulart and the forging of the modern Brazilian authoritarian state.

M.M.A.

THE BRAZILIAN CORPORATIVE STATE AND WORKING-CLASS POLITICS. By Kenneth Paul Erickson. (Berkeley, California: University of California Press, 1978. 215 pages, acknowledgments, abbreviations, glossary, map, tables, bibliography and index, \$14.00.)

This is an important case study of the working class in the modern Brazilian corporate state that examines the relationship of labor with the state and national governments since the establishment of Vargas's Estado Novo. It demonstrates how

corporatism has effectively "guaranteed autonomy for government policymakers . . . the corporative system constitutes an instrument of exacting sacrifices from the working class in the name of the common good." M.M.A.

UNITED STATES POLICY IN THE CARIBBEAN. *By John Bartlow Martin with a foreword by M.J. Rossant.* (Boulder, Colorado: Westview Press, 1978. 393 pages, foreword, acknowledgment, abbreviations, appendices, notes, bibliography and index, \$19.00.)

This Twentieth Century Fund essay evaluates changing conditions in the Caribbean countries and outlines United States strategic, political and economic interests in the area. M.M.A.

THE BRAZILIAN PEASANTRY. *By Shepard Forman.* (New York: Columbia University Press, 1978. 300 pages, preface, notes, bibliography and index, \$4.95, paper.)

This case study of the peasantry and agricultural laborers in Brazil examines a broad range of socio-cultural, economic and political factors which have shaped the integration of the rural classes into Brazilian society. M.M.A.

INSIDE CUBA TODAY. *By Fred Ward.* (New York: Crown Publishers, Inc., 1978. 305 pages, introduction, photographs and index, \$12.95.)

This account of Cuban life under Castro as observed by the author, a well-known photo-journalist, describes the daily life of Cubans, their housing, work, dress, entertainment, sports, cultural activities and their relationship to the government. Two hundred photographs are included. M.M.A.

ARGENTINA'S FOREIGN POLICIES. *By Edward S. Milenky.* (Boulder, Colorado: Westview Press, 1978. 345 pages, preface, notes, appendices, tables, bibliography and list of acronyms, \$20.00.)

Edward Milenky has written a detailed study of Argentina's foreign policy: describing the various aspects of the policy formulation process and tracing Argentina's relations with the nations of Europe, the United States, the Communist nations, the third world, Latin America and the Caribbean, as well as Argentina's multinational diplomacy in various inter-American associations, the United Nations and other international agencies. M.M.A.

THE UNITED STATES AND CUBA: HEGEMONY AND DEPENDENT DEVELOPMENT, 1880-1934. *By Jules Robert Benjamin.* (Pittsburgh, Pennsylvania: University of Pittsburgh

Press, 1977. 259 pages, Press, 1977. 259 pages, preface, notes, bibliography and index, \$14.95.)

This study deals with United States policies in Cuba from 1880 to the revolution of 1933. It examines the course of American-Cuban relations and the effect of United States hegemony. M.M.A.

CUBA IN THE 1970s: PRAGMATISM AND INSTITUTIONALIZATION. Revised Edition. *By Carmelo Mesa-Lago.* (Albuquerque, New Mexico: University of New Mexico Press, 1978. 182 pages, prefaces, notes and index, \$9.95, cloth; \$4.95, paper.)

This is a revised edition of Mesa-Lago's excellent study of the Cuban Revolution that first appeared in 1974. It includes a review of events and an evaluation of the various changes which have taken place in Cuba between 1974 and 1977. M.M.A.

THE HOVERING GIANT: U.S. RESPONSES TO REVOLUTIONARY CHANGE IN LATIN AMERICA. *By Cole Blasier.* (Pittsburgh, Pennsylvania: University of Pittsburgh Press, 1978. 305 pages, preface, illustrations, tables, notes and index, \$4.95, paper.)

This analysis of United States responses to revolutionary change in Latin America focuses primarily on United States policies with regard to the revolutions in Mexico (1910-1940), Bolivia (1943-1946 and 1952-1964), Guatemala (1944-1951) and Cuba (1957-1961).

Blasier examines American policies as these countries experienced political upheavals through three stages of the revolutionary process: rebellion, reformist government and revolutionary government. He describes the American responses to the confiscation of United States property and explores the causes of United States reconciliation with the revolutionary regimes of Mexico and Bolivia and United States sponsorship of paramilitary expeditions against Guatemala and Cuba. M.M.A.

THE LEGACY OF POPULISM FROM THE MNR TO MILITARY RULE. *By Christopher Mitchell.* (New York: Praeger Publishers, 1978. 162 pages, notes, preface, bibliography and index, \$16.95.)

In his critical study of Bolivian populism from 1930 to the late 1970's, Mitchell analyzes the events that marked the transition from the initial civilian populism of the Nationalist Revolutionary Movement (MNR) to its rigid conservatism by 1952-1953 and seeks to explain "how a progressive civilian movement helped form the basis for a repressive dictatorial military regime." He believes that the course of Bolivian political events in recent decades has generated cynicism and suspicion among all classes of Bolivian society. M.M.A. ■

BRAZIL

(Continued from page 73)

asperation because of their lack of input in policy-making. Thus the cry for democracy shares no common underlying definition; it may be, instead, that democracy and *abertura* have become code words for some for simple frustration over economic and social dilemmas.

The press has contributed significantly to the clamor. Even during the worst of the repression, journalists and editors defied the censors by burying anti-regime messages between the lines, or publishing blank spaces attesting to censorship. In 1978, aided by Geisel's relaxation of press restrictions, articles appeared that would have been unthinkable a year or two earlier: revelations of massive military-guerrilla warfare in the early 1970's; references to a meeting in Itatiaia of Nazis headed by war criminal Gustav Franz Wagner; stories documenting torture, hunger strikes among prisoners, and other violations of human rights.²⁰ Balancing this, however, is the continued close government control of radio and television, which reaches a far greater audience than the press, and the government's sophisticated use of slick advertising to enhance its image. Brasília's Agencia Nacional has blanketed the media with propaganda and has been extremely successful in presenting the government's case for itself in behalf of teamwork and dissent-free patriotism.

The major issue in the campaign for increased democratic freedoms is amnesty for the regime's enemies and former exiles who have returned home but whose political voices have been silenced. Some have also advocated amnesty for the torturers and agents of the repression, to achieve a state of national forgiveness. Archbishop Arns has been deeply involved in the amnesty campaign; so are the National Conference of Bishops; Dalmo Dallari, a leading lawyer; feminist Terezinha Zerbini; Bentes Monteiro; and General Pery Constant Bevílaqua, a conservative, legalist army officer dismissed under the Institutional Act, AI-5.

On balance, Brazil seems poised for accelerated political change, either hard-line military reaction to opposition margins in the November, 1978, legislative elections or concessions that will address the growing pressures to reorder national priorities and allow greater debate. The nagging social and demographic

problems are real and have not been faced squarely by the national government.²¹ Given the still relatively small arena in which the campaign to restore the rule of law has taken place, movement has been considerable. One of the real issues to be faced is whether the country could tolerate proposals that advocate *abertura* to pre-1964 levels, and whether the military would ever endorse such a change. Many of those who have urged a roll-back of the repressive apparatus suggest a return to the environment of the Humberto Castelo Branco years, true "relative" democracy in Geisel's own terms.

In June and July, 1978, a rash of nonsensical graffiti inexplicably appeared on the walls of residential neighborhoods of Rio de Janeiro—"Mancha 78," "Celecanta provoca maremoto," "Lerfá Mú." Even university linguists threw up their hands: the inscrutable slogans seemed to be simple rejections of the political labels of the past, declarations of cultural anarchy reminiscent of the modernist anthropologists of the 1920's, the decade of the *tenente* explosion.²² Behind the timid frivolity lies anxiety as well as hope for political prospects during the coming year. ■

CUBA TWENTY YEARS LATER

(Continued from page 57)

recapture the revolutionary fervor of earlier days or to give a new meaning to the next decade of Socialist rule. While changes have been slow and inconclusive —Cuba's dedication to Marxism was not being questioned—one thorny issue that was resolved was the problem of political prisoners. In a larger sense, the issue was related to the government's relations with domestic dissenters and with almost a million Cubans living abroad—10 percent of the country's population —almost all of whom are anti-Communist, some even militantly so.

For a long time, the political prisoner issue has been awkward. At practically every news conference he has held in the last two years, Castro has had to face the question of political prisoners and his answers have usually been graceless and often bad humored. The pressure on Cuba to do something about political prisoners intensified with the prominence given to President Carter's human rights policy. Privately, most friendly public figures visiting Cuba raised the issue with Castro, and even some Communist leaders in Europe criticized Cuba's jailing of over 3,500 political prisoners, proportionally perhaps the highest number in the world.

Taking charge of the issue personally, on September 6, at a news conference at which exiled newsmen from Miami and elsewhere were present, Castro invited exiled representatives in the United States and other countries to a dialogue in Havana to discuss questions of mutual interest, including political pris-

²⁰See, for example, *Folha de São Paulo*, *Jornal do Brasil*, *Veja*, and *Istoé*. Also, *Newsday*, August 7, 1978, p. 13.

²¹See Morvan de Mello Moreira et al., *Country Profiles: Brazil* (New York: The Population Council, May, 1978), pp. 1-24.

²²Harold Emert, "Cidade Maravilhosa," *Times of Brazil/Brazil Herald*, July 1-2, 1978, p. 2.

oners. Castro's statement was more than a casual invitation to his political adversaries. It marked a dramatic change of policy toward the exiles who, for almost 20 years, have been considered mortal enemies of the revolution and have been referred to as "gusanos," worms.

Although the Cuban government has had contacts with small groups of exiles who are sympathizers, Castro's invitation to the anti-Communist exiles was unexpected. Suddenly, the Cuban government and press were terming the "worms" "the Cuban community in the exterior." The Cuban President went even further. In an action without precedent in the history of Communist countries, he offered one million Cubans abroad tacit recognition as a "sui generis" political entity, with authority to discuss with him, at a government level, issues of mutual interest. Explaining his reasoning, on September 7 Castro said that "certain changes have taken place" in the exiled community and in the thinking of his government, the principal change being "the decline of hostility" between the two sides.

Castro's initiative stunned the exiles. The majority supported what has been known as "The Dialogue." A minority—according to public opinion polls about 15 percent—opposed it, stating that the invitation to talk was a Castro trick. But Castro's rapprochement bid to the exiles was genuine and more far-reaching than was originally thought. Late in October, six exiled leaders traveled to Havana with a group of American newsmen and held preliminary talks with Castro. After the discussions, Castro pledged to free all political prisoners in Cuba. He praised the exiles and said that the conversations, which he termed "amicable, courteous and gentlemanly," would continue with a larger group of Cubans living abroad. "I'm very glad, indeed I feel proud, that Cubans who live abroad, even those who have been our adversaries, are trying to preserve their language, their culture and their integrity," Castro said. "We are satisfied and glad because we are nationalists. We are not only Marxists-Leninists, but also nationalists and patriots."³

By calling himself a "nationalist," Castro seemed to be returning to the rhetoric of the first months of his regime, when the Cuban revolution was strongly nationalist and leftist but not yet Marxist-Leninist. In another radical change of policy, in the last weeks of 1978 the Cuban President indicated that his government was planning to establish wide-ranging contacts with Cuban communities abroad. This was also the consensus of the exiles and journalists who repeatedly visited Havana late in 1978. The Cuban capital, once a difficult place for foreigners to enter, became easily accessible to newsmen and television crews from the United States. Late in November, 75 exiled leaders

met formally with Castro and other high-ranking officials in Havana. At the meeting, in the offices of the Political Bureau of the Communist party, Castro reiterated his pledge to free practically all political prisoners (the exceptions were about 200 of the so-called "Batista criminals") and to lift travel restrictions to and from Cuba for Cuban nationals and exiles. Castro also announced that his government was considering the establishment of a sub-ministerial agency for exile affairs. The dialogue with the exiles, he stated, was the result of "new circumstances" and of a "new policy" toward Cuban communities abroad that had been approved by a "collective decision" of the Political Bureau.

Exiled leaders who have talked to Castro believe that the Cuban revolution is entering a new phase of national reconciliation. Rapprochement with the exiles will result in technical collaboration, they conclude, and will eventually lead to easing the reins on the economy and to joint-venture factories or business enterprises. By practically preempting the prisoner issue, Castro has eliminated one obstacle to the resumption of relations with the United States. The Carter administration, which will accept most of the ex-prisoners and their families, has praised Castro's move.

Stating that the revolution is strong enough to be generous, Castro went even further. He announced that he would allow about 12,000 ex-prisoners now living in Cuba and their families, as well as the families of exiles, to leave Cuba, which, in effect, amounts to an open-door emigration policy. Those who visited Cuba in the last weeks of 1978 advance the theory that the new nationalist-Marxist posture of the Castro revolution could lead Havana to review all its policies from the standpoint of nationalist Cuban interests, rather than viewing them exclusively through the Soviet prism of a Marxist-Leninist world outlook. ■

NICARAGUA IN CRISIS

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On November 10, Somoza announced his willingness to call a plebiscite on political changes, including sharing power with other political groups. The proposal was rejected by the opposition because it did not include any provision for Somoza's resignation in the near future. By late November, FSLN guerrillas—whose forces had increased from perhaps 500 men in September to 2,000—were staging hit-and-run attacks on National Guard posts near the Costa Rican and Honduran borders. Costa Rica broke diplomatic relations with Nicaragua after National Guard troops crossed the border and killed two border policemen.

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³The York Times News Service, October 25, 1978.

PERU: THE LAME DUCK "REVOLUTION"

(Continued from page 65)

Edgardo Seoane; Peru's radical Christian Democrats (PDC); the populist National Federation of Workers and Peasants (FNTC); and, finally, two loose coalitions of ultra-radical splinter groups forced into uneasy alliances by the necessity of obtaining 40,000 signatures to qualify for the race: Popular Democratic Unity (UDP) and the Front of Workers, Peasants, Students and the People (FOCEP).

The UDP is a conglomeration of 18 groups of a generally Maoist orientation, with strong support among the copper miners and the pre-Velasco Peruvian Peasants Confederation. Ricardo Letts, editor of the influential magazine *Marka*, led the UDP in its denunciations of the government and its demands for the establishment of an "authentic people's democracy." FOCEP, a coalition of 13 Trotskyist groups under the nominal leadership of labor lawyer Genaro Ledesma, lacked the UDP's organized base. But its slate included Hugo Blanco, Peru's most famous revolutionary. Blanco very effectively articulated the FOCEP program, the most explicit and radical of the various leftist platforms. The FOCEP demanded the restoration of the real income of the workers; the cancellation of the agrarian reform bonds; the repudiation of the foreign debt; the uncompensated expropriation of all private enterprises and their transfer to worker control; the dissolution of the armed forces and police; the nation's withdrawal from the Organization of American States and the abrogation of most treaties with other nations.

The American Popular Revolutionary Alliance (APRA)—Peru's oldest, largest and best organized party—stood spread-eagled in its attempt to span almost the entirety of the political spectrum, an ideological contortion perfected during its controversial 55-year struggle for power.⁸ Founded in 1924 by Víctor Raúl Haya de la Torre, APRA's 1931 platform advocated almost every reform instituted in Peru since that date. But while perennial candidate Haya continued to employ radical rhetoric in his six unsuccessful or aborted races for the presidency, APRA's actions demonstrated its pronounced shift to the right. Noted in its early years for popular rebellions that aroused the enmity of the armed forces, the party later became notorious for Byzantine back-room deals with its avowed enemies on the right. During the Velasco years, APRA claimed to have

inspired the revolution, while denouncing the specific programs of the government.

Since the succession of Morales Bermúdez, the party's strategy has been designed to encourage the restoration of civilian rule and enhance its political position. APRA has praised the current administration for its "good intentions"; voiced guarded criticism of the regime's more unpopular actions; and bolstered the government in times of crisis—notably during general strikes, which the Aprista-controlled Confederation of Peruvian Workers has refused to support. Morales Bermúdez, whose father was killed by Apristas in 1939, has labored to end the traditional animosity between the party and the military, and refers to Haya (now in his 84th year) as "our Grand Old Man."

In mid-May, 1978, the campaign for the constituent assembly was interrupted by a new financial crisis. Two months earlier, an IMF team monitoring Peru's compliance with the standby agreement discovered that the administration had violated the accord and had falsified its books to hide the violation. The IMF suspended Peru's drawing rights. Although the Soviet Union agreed to reschedule the huge debt Peru had incurred for weapons purchases, a consortium of private banks ended negotiations to restructure the external debt and rescinded an earlier decision to "roll over" \$306 million of Peru's \$1 billion debt service due in 1978. Morales Bermúdez hoped to wait until after the June 4 election to impose a new austerity package that would be required to woo back the bankers. But by early May, the government was living from hand to mouth. A default was averted only through a \$25 million "advance" from the Occidental Petroleum Company and a patchwork "swap" agreement with the central banks of Spain and four Latin American nations that netted the Treasury \$165 million. Worse, Peru's private sector, whose foreign exchange had been sequestered in the government's scramble for hard currency, fell \$1.3 billion in arrears on some \$3.4 billion in short-term credits. Foreign suppliers now demanded cash in advance from their Peruvian customers.⁹

Amid rumors of coups, on May 11 Morales Bermúdez ousted powerful Generals Sáenz Barsallo and Ibáñez O'Brien from the ministries of finance and industry and replaced them with civilians. Four days later, Javier Silva Ruete, the new finance minister, announced another devaluation of the *sol*, new taxes, and price increases of 50 to 70 percent on several necessities. Riots erupted throughout the country. Morales Bermúdez proclaimed a state of emergency that suspended constitutional rights. He closed the universities, imposed a curfew on several cities, banned all political activity, and postponed the election until June 18. After a two-day general strike on May 22-23, the regime closed a score of magazines,

⁸A fine short analysis of the party is Richard Lee Clinton, "Apra: An Appraisal," *Journal of Inter-American Studies and World Affairs*, vol. 22, April, 1970, pp. 280-297.

⁹"Peruvian Sol," *International Currency Review*, vol. 10, no. 4 (1978), pp. 154-159.

TABLE 1: 1978 Election for the Constituent Assembly

Party	Votes	Seats
APRA	1,241,174	37
PPC	835,294	25
FOCEP	433,413	12
PSR	232,520	6
PC-unidad	207,612	6
UDP	160,741	4
FNTC	135,552	4
PDC	83,075	2
UNO	74,137	2
MDP	68,619	2
ARS	20,164	0
MDRP	19,594	0
	3,511,895	100

disbanded the National Agrarian Confederation and deported a dozen leaders of the PSR, UDP and FOCEP.

Ten days before the rescheduled election, the administration ended the state of emergency, and politicking resumed in earnest. However, the government delayed the reopening of radical periodicals, censored the media campaigns of the left-wing parties, and refused to permit exiled candidates to reenter the country. The election on June 18 was relatively quiet, although the PSR's General Rodriguez, who had escaped deportation in May was arrested at the polls and shunted off to Argentina. The results of the contest are shown in Table 1.¹⁰

Parties representing the left polled a total of 32 percent of the vote. The contest's biggest surprise was the relatively poor showing of the PSR (which pleased the government), and the strong finish of FOCEP (which produced consternation among the generals and admirals). Hugo Blanco's slate won pluralities in Peru's three largest mining departments and in the shantytowns of Lima. The PPC triumphed in the more comfortable neighborhoods of the capital and a few other cities. APRA's stronghold, as in the past, proved to be the "solid north" of the country.

Immediately after publication of the official returns on July 15, the government rescinded the expulsion of six exiled assemblymen-elect (including Blanco and Rodriguez) and promised them full parliamentary immunity. Shortly thereafter, a general amnesty allowed other exiles to return home and freed all political prisoners. The delegates (98 men and 2 women)¹¹ took their seats on July 18, and for the next ten days organizational meetings were held under the temporary chairmanship of Haya de la Torre. He had earned this honor by virtue of his pacesetting preferential vote of more than one million. On July 28, the assembly began its formal deliberations, electing

Haya permanent president of the body in a 60-16 vote.

Since the installation of the assembly, APRA and the rightist parties have pressed for the rapid adoption of a constitution. Morales Bermúdez has worked toward the same end, declaring that the prompt appearance of a new charter would permit him to advance the electoral timetable. Most left-wing parties, however, have sought to delay the work of the assembly, using it as a forum to criticize the government, embarrass APRA and mobilize opposition to the regime. But APRA, with the tacit support of the PPC, has had the votes to prevail. A new constitution could be completed and elections held for a President and Parliament as early as April, 1979. Although the administration has at least formally honored its promises of parliamentary immunity, Peru's radical parties charge that they have been assaulted by "buffaloes," Aprista thugs. More ominously, a new terrorist organization, the Peruvian Anti-Communist Alliance, has attacked radical leaders, including assemblymen. Evidence strongly suggests that this group, like the infamous Argentine Anti-Communist Alliance, consists of military officers and policemen.

Peru's financial crisis has eased since the election. In July, 170 banks agreed to a six-month deferment of \$250 million in debt service. The following month Lima signed a new pact with the IMF, in accord with which the IMF is giving Peru \$230 million to balance her international payments in the succeeding 30 months. Under the agreement, Peru promised further devaluations of the *sol*, increases in tax collections and interest rates, the end of all subsidies, and a reduction in the government payroll. It was hoped that these measures would reduce the rate of inflation from 70 percent in 1978 to 35 percent in 1979 and, finally, to 15 percent in 1980. In September, Peru and her creditors began negotiations for a restructuring of the entire external debt. Without rescheduling, debt service in 1979 would consume 68 percent of the nation's export earnings. Lima would like to reduce this burden by at least half.

Peru's long-suffering 17 million citizens have not accepted austerity quietly, and the country has continued to be plagued by labor strife. In July and August, 1978, the regime ended an 81-day walkout by 100,000 teachers and a month-long strike of 35,000 health workers by surrendering to most of the demands of the two groups. In early August, however, Peru's 48,000 copper miners struck, an action that cost the government \$2 million per day in precious foreign exchange. After 35 days, the regime ended this stoppage with a combination of mild concessions and brute force.

Meanwhile, the nation's entrepreneurs have protested several of the administration's austerity measures and have demanded further retreats from Velasco's revolution. Powerful elements in the armed

¹⁰Keesing's Contemporary Archives, September 15, 1978, p. 29202.

¹¹These are listed in *Latin America: Political Report*, vol. 12, no. 33 (August 25, 1978), p. 259.

forces have opposed the President's economic policies and his determination to restore constitutional government. Morales Bermúdez purged the Cabinet again in September, 1978, and the political atmosphere in Lima has been charged with frequent rumors of coups.¹²

President Morales Bermúdez has expressed his desire to put the nation on the road to economic recovery by the time he leaves office. To achieve this goal, he will need debt refinancing, good luck in the form of improved commodity prices, and the willingness to make and the strength to abide by some very tough decisions. Peru's moderate and conservative political parties, who almost certainly will dominate the next government, wish him well in this endeavor. Failure could plunge Peru into a cycle of harassed civilian regimes followed by repressive military dictatorships. ■

¹²In addition to the sources cited above, the author gleaned much of the information for this essay from the weekly news compendiums *Facts on File*, and *Keesing's Contemporary Archives*; the monthly *Bank of London & South America Review*; the weekly Mexican newsmagazine *Hispano Americano*; and two valuable newsletters published weekly in London—*Latin America: Political Report* and *Latin America: Economic Report*.

THE UNITED STATES AND LATIN AMERICA

(Continued from page 53)

level of torture and crude violence, apparently in response to United States pressure. It remains to be seen whether this is a permanent phenomenon; whether uniformed politicians will—if seriously challenged—renounce repression, their most familiar tactical instrument. Hierarchical control, personalistic rule and military dominance are rooted in Ibero-Arab tradition.

As for political reforms and recent elections, it is by no means clear that they represent a response to human rights activities. Elections in Ecuador and Peru offer a *salida política* (political escape) for increasingly unpopular militaries, who have been unable to resolve protracted economic problems. That General Pinochet has tentatively scheduled elections for the mid-1980's makes a mockery of human rights in Chile. And Brazil's new chief executive, General João

²¹*The Washington Post*, November 13, 1978, p. A-16.

²²*Department of State Bulletin*, May 2, 1977, p. 445.

²³Lieutenant Colonel Stuart M. Quigg, "Latin American Military Expenditures: Some Implications for the United States," A Military Issues Research Memorandum (ACN/77035) published by the Strategic Studies Institute, U.S. Army War College, Carlisle Barracks, Pennsylvania, September 26, 1977.

²⁴Increased costs of oil and armaments have inspired decreases in the defense budgets of some countries; see *ibid.*, p. 8.

Baptista Figueiredo, made an ironic commitment to political fair play. "I intend to open this country up to democracy," he told reporters minutes after receiving word of his own election. "And anyone who is against that, I will jail, I will crush."²¹ It should also be remembered that the proposed political changes in Mexico spring not from external initiatives—indeed, nothing could chill the reforms quicker than a belief that they were United States-imposed—but from the creative genius of Jesús Reyes Heroles, Secretary of Gobernación (Interior).

The decline in United States arms credits might have encouraged the Latin American military to forswear sophisticated weapons, but this is not the case. European and Israeli merchants, oblivious to human rights concerns, quickly filled the vacuum left by the departing American salesmen. In recent years, the United States has lost its predominant position and is only the fourth or fifth largest supplier of armaments to Latin America.²² For example, Ecuador purchased French F-1 fighters after the United States vetoed the sale of Israeli Kfirs equipped with General Electric jet engines. Guatemala acquired Israeli Arava short-haul airplanes after the United States delayed the delivery of some C-47's. And when this country refused to sell it F-5's, Peru's military government bought a squadron of Russian-made SU-22's.²³ While American manufacturers are receiving fewer contracts, the military budgets of most hemispheric nations have not diminished as a result of American actions.²⁴

Even supportive nations seem to believe that the United States has stressed human rights to the exclusion of vital issues in the North-South dialogue; namely, the discrepancies of income and economic opportunities—exacerbated by the quintupling of oil prices—between the world's "have" and "have not" nations. When President Carlos Andrés Pérez of Venezuela entertained his American counterpart during a March 28, 1978, visit, he observed that wealthy countries were doing little to close the development gap. As he expressed it: "Statesmen with the best goodwill and greatest perception are constantly persuaded by large economic interests and by old dogmas of strategic power."

High on the agenda of the third world are: (1) the preferential treatment of their exports by industrial nations; (2) easy access to technology; (3) improved terms of trade and greater price stability for primary products; (4) stricter controls on multinational corporations; and (5) the recognition that the courts of their countries have exclusive jurisdiction over foreign firms operating therein.

President Carter told Pérez (whom he had once called "one of my best friends") that the United States was willing to provide economic and technical aid, but that the third world, in turn, must "moderate disrupt-

tive price movements and stabilize the prices of primary commodities." President Carter also stressed his belief that members of the Organization of Petroleum Exporting Countries (OPEC), in which Venezuela plays a key role, "have a responsibility to use their surplus wealth to meet the human needs of the world's people."

Whether or not it acts under the aegis of human relations, the United States could do more to assist poor countries. It could repeal the Hickenlooper and González amendments²⁵ that penalize nations that expropriate United States corporations. It could sponsor "technology fairs" to disseminate appropriate technology. It could support formation of a United Nations institute to catalog existing labor-intensive technology, help develop new applications of these techniques, and disseminate this information to interested countries. Finally, Congress might revise United States tax laws to encourage investment abroad by smaller United States firms whose technology is more likely to be labor-intensive than the giant multinationals.²⁶

But revamping the international economic system, including preferential access to Western markets—except on a token basis—is improbable. Thus, third world leaders may be well advised to look to the OPEC nations for financial assistance. Meanwhile, they should consider such internal reforms as combatting corruption, boosting taxes, pursuing more rational credit policies, reducing infant industry protection afforded mature but inefficient producers, and stimulating job-creating activities in both urban and rural areas.

Just as many Latin American nations view President Carter's human rights endeavors as patronizing, they should recognize that repeated requests for "preferences," "special treatment," and "aid" perpetuate the paternalistic ties between industrialized countries and the LDC's.

Latin America is becoming more pluralistic in terms of ideology, level of economic development and political power. The time of United States domination has long passed, and the current human rights policy—at times unevenly applied because of security considerations—offends nationalistic sensibilities, feeds divisiveness, and further attenuates United States

influence. The human rights effort might be compared to the Peace Corps, a humanitarian program launched by President John F. Kennedy in 1961. Both confer limited benefits on the recipient countries. But the prime beneficiary is the United States. The United States support of human rights is important in the aftermath of the Johnson and Nixon presidencies as a way to reaffirm this nation's commitment to openness, decency, justice and human dignity. ■

CHILE AFTER FIVE YEARS OF MILITARY RULE

(Continued from page 61)

On August 16, 1978, the commission studying proposals for a new constitution finally disclosed its proposals for a new institutional order. The report advocates direct presidential elections with a run-off ballot if no candidate receives an overall majority. The presidential term would be for eight years, non-renewable. The lower house of Congress would be directly elected (with only 150 deputies); the Senate would have a mixture of directly elected and appointed members. A constitutional council would oversee adherence to the constitution. And, curiously, the report advocates the autonomy of the Banco Central in the fields of monetary and foreign exchange policies and administration: presumably a victory of the Chicago boys in their efforts to avoid interference from politicians.

Pinochet has welcomed the proposals, although he does not intend to put them to a referendum. And he confirmed in his September 11 message that certain legislative elections would be held by 1985 and that joint military civil rule would last until at least 1991, when direct presidential elections may take place. During the transitional period between the approval of the constitution and the 1985 elections, members of Parliament are to be chosen, not elected, and there is no immediate role for political parties. There would, however, be a permanent role for the military in the National Security Council, which (with a few other members from institutions like the Supreme Court and the Central Bank) would appear to have a kind of watchdog role over general policy formation.

There has been widespread criticism of the constitutional reform and of Pinochet's timetable. The traditionalist Catholic corporatist ideas that inspire the proposal are shared by only a small number of Chileans, and certainly do not command much respect in the Christian Democratic party. Perhaps Pinochet thinks that his widespread support in the referendum of December 7, 1977, can be translated into general support for his political design. But that referendum, apart from its dubious validity (as General Leigh pointed out), was confused and was intended

²⁵The Hickenlooper Amendment, first passed in 1962, suspends aid when a foreign nation fails to make prompt and reasonable payment after nationalizing the property of an American-owned firm. The 1972 González Amendment requires this country's representatives to international financial organizations to oppose assistance to nations which expropriate U.S. corporate holdings unless the compensation is "prompt, adequate, and effective." Continuing negotiations toward a settlement of claims is the most important means to stay application of the amendments.

²⁶See the author's "The Promise of Mexican Oil," *Newsday*, September 11, 1978, p. 49.

to mobilize a general nationalist defiance against outside interference. It does not indicate that a large majority of Chileans support the ideas of the new constitutional reform.

Pinochet's position looks less secure now than it was at any time in the past five years. Apart from domestic uncertainties, the regime remains isolated and rejected internationally. There is even the possibility of conflict with Argentina. Although an international tribunal ceded to Chile the sovereignty over three small islands on the Atlantic side of Cape Horn, Argentina insists that Chile has been enlarging her claims by asserting rights over the offshore waters and larger sections of Antarctica. Territorial disputes in Latin America have a habit of flaring up and dying away more in response to domestic political considerations than to the importance of the territory at stake. But conflict with Argentina, though it may temporarily rally some nationalist support, only serves to isolate Chile even further, and it interferes with the important overland trade routes between Chile and Brazil.

Chilean politics have been characterized by instability, normally within a civilian framework. That instability is clearly related to economic performance, and there is no reason to think that the present economic model has solved the problems of inflation, poverty or vulnerability to world market forces. Pinochet's political power rests on his control over the military and especially over the forbidding DINA (now renamed the National Information Center, the CNI). So far, he has cleverly outmaneuvered potential challengers in the armed forces. But the Townley-Letelier affair has weakened DINA's authority, and its outcome may jeopardize Pinochet's position. There is little possibility that the military government can ever gain a significant degree of popular consent; whether it can continue to rule through repression and control depends on economic and political developments whose outcome is so uncertain that it would be unwise to make any prediction. ■

ARGENTINA'S MILITARY COMMONWEALTH

(Continued from page 69)

Derek Roebuck, dean of the Law School of Tasmania and a prominent member of the Australian Communist party, to head AI's research department. It has been noted that in July, 1976, Roebuck wrote justifying the executions of the anti-Communist mercenaries in Angola by the Cuban-backed MPLA forces.

The campaign against Argentina began in late 1976. A group of congressmen led by Representative Edward Koch (D., N.Y.) returned from a trip to Argentina recommending the ending of military assistance. The people the congressmen interviewed in

Argentina were considered unreliable by the Argentine press. According to Argentine sources they included Gustavo Adolfo Roca and Lucio Garzon Macea. Adolfo Roca has long been associated with Communist-run causes in Argentina. He has had links with Cuban-trained terrorists, including ERP leader Mario Santucho; he visited Cuba in 1962, 1965, 1966, 1971 and 1972 and handled most of the arrangements for paying the \$14-million ransom to the kidnappers of the Exxon executive, Victor Samuelson. Garzon Macea was identified in the Argentine press as a major organizer of the Cordobazo, the famous Argentine riot of 1969; among other activities he has been held responsible for the supplying of hand grenades to a militant union in Cordoba. Some of the Argentine government's distress with the United States comes from its rejection of the sources that the United States uses to justify its human rights attack. While visiting the United States in August, 1978, former President Alejandro Lanusse charged that it was a "grave error" that the Carter administration was "doing little" to improve ties with Argentina.

Relations have also deteriorated in the economic sphere. As a result of the Patricia Derian testimony before Congress, the Export-Import Bank refused in August to lend \$280 million to Argentina to buy electrical equipment from Allis-Chalmers for the military's pet hydroelectric power project on the Paraná River. This made the Argentine government very angry, and President Carter personally ordered the reversal of the Export-Import Bank's decision after learning about its implications.

From the Argentine point of view the terrorist problem is very complex. Most, if not all, the killings and kidnappings are the work of paramilitary groups that are not under the government's control. Parallel-type security organizations were created in the last Peronist government. During the last Peronist rule—between May 25, 1973, and March 24, 1976—the terrorist organizations assassinated 1,358 people. Many of these terrorist organizations had Perón's backing, because they were to bring him back to power. Some of them were Communist. After Perón returned to power, many of them continued to operate anyway.

To cope with the terrorists no longer cooperating with Perón, another terrorist organization was established in the Ministry of Social Welfare, which became known as the Argentine Anti-Communist Alliance, AAA. It operated on the cell principle and, like the other terrorist organizations, was not controlled by the forces that ousted the Peronist government in March, 1976. Undoubtedly, members of the triple A came from the country's security forces, but it is hard to believe that they are controlled by the Videla government. Although security forces favorable to the

new regime may have been involved in illegal activities, it is difficult to hold the government responsible for these activities when it repudiates them. The government cannot be considered to have control over all the paramilitary groups generated by many years of strife in Argentina.

As the world comes to learn more about the terrorist problem, how terrorists work to polarize a country, how they work with an elaborate international base of support, how they seek an environment of political disorder and economic distress, and how they use appealing political ideologies, the difficulties faced by governments seeking to cope with terrorism may be better appreciated. Although the United States is properly concerned with human rights violations, Argentina will probably continue to perceive the United States human rights policies, in the words of political analyst J.J. Ramos Mejia, as "a confused tangle of advanced ideas that only protect those who favor disorder and backwardness." ■

MEXICO'S PETROLEUM RESERVES

(Continued from page 77)

mercial failure. Greater reliance on Mexican oil and natural gas would allow more time to conduct the basic research that will help to determine which of the potential petroleum substitutes is most promising.

Another positive corollary of a United States decision to rely more heavily on imports of Mexican oil, while deemphasizing present commitments to the development of non-petroleum energy forms, would be a significant reduction in future environmental costs. The production, transportation and combustion of natural gas, crude oil, and their derivative products place far fewer demands on the environment and raise far less serious public health and safety issues than the production, transportation, and combustion of any of the alternative fuels likely to be commercially significant in the next 20 years.

CONCLUSION

Because of the power asymmetry and the legacy from past United States exploitations, United States-Mexican relations have never been easy. Nevertheless, prospects for improved relations have risen dramatically since Lopez Portillo's accession to the Mexican presidency. As the first Finance Minister to be elected President, Portillo appreciates the economic benefits to be gained by rapid development of his country's petroleum reserves. President Portillo has said:

⁸"Mexico Grapples with Its Oil Bonanza," *The New York Times*, May 7, 1978, p. F-3.

⁹"Reviewing the Energy Debacle," *The Wall Street Journal*, October 19, 1978, p. 22. ■

This opportunity will come only once in history. We have to transfer a nonrenewable resource into a permanent source of wealth to meet our current needs and those that will come with the increase in our population.⁸

President Portillo also appears willing to permit United States help to achieve this end: he invited representatives of many major energy companies to meet with Pemex, supplied emergency sales of natural gas to the United States during the winter 1976-1977 natural gas shortage, and promoted a plan to build a giant pipeline capable of shipping 2 billion cubic feet per day of natural gas to the United States. In sharp contrast, even though expanded production of Mexican petroleum promises enormous benefits for the United States, United States policies have so far discouraged this outcome.

UNITED STATES SUPPORT NEEDED

President Portillo's moderate record and constructive actions demonstrate that he is a valuable friend of the United States: his efforts to promote a pragmatic Mexican energy policy merit United States support. This will require United States energy policymakers to hew a fine line in their dealings with Mexico. Most important, because fears of United States exploitation run deep among Mexicans, United States policymakers should be careful not to place Portillo in a position in which he would apparently be succumbing to United States pressure. If he appears to yield to United States pressure, Portillo's domestic power base will erode; this in turn will jeopardize future United States participation in the development of Mexican oil and natural gas. Unfortunately, President Carter's decision to cancel United States companies' contracts to import large quantities of Mexican natural gas and the repeated statements by "senior United States officials" to the effect that the Mexicans will ultimately have no choice except to sell their natural gas (at a lower price) to the United States have endangered President Portillo's efforts to promote stronger bilateral energy relations. In light of Mexico's enormous petroleum potential, the *Wall Street Journal's* assessment in an editorial entitled "Reviewing the Energy Debacle" deserves attention:

The Carter energy proposals were intended to solve the problem of energy supplies, and to protect the national security. It will be ironic, though it seems entirely likely, if their most lasting consequence turns out to have been missing the key chance to cement relations with Mexico, head off a potential security problem and insure easy access to our most readily available supplies of energy.⁹

In short, unless the United States adopts a more pointedly constructive policy toward Mexico, both nations are unlikely to reap the benefits made possible by the discovery of enormous quantities of Mexican petroleum. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of December, 1978, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arms Limitation

Dec. 6—Soviet President Leonid Brezhnev tells U.S. officials and business executives in Moscow for meetings of the U.S.-U.S.S.R. Trade and Economic Council that the Soviet Union is anxious to complete "without further procrastination" a new SALT agreement with the U.S. Dec. 23—U.S. Secretary of State Cyrus Vance and Soviet Foreign Minister Andrei A. Gromyko conclude 3 days of SALT negotiations in Geneva and say they have reached agreement on most issues and that a meeting between Soviet President Leonid Brezhnev and U.S. President Jimmy Carter will take place later.

European Economic Community (EEC)

Dec. 15—Ireland's Prime Minister Jack Lynch announces that Ireland will join the new European Monetary System starting January 1; this will form an economic barrier between Ireland and Britain, which is remaining outside the new system for the time being. Dec. 29—Because of unresolved problems between France and West Germany, France blocks the inauguration of the new European Monetary System scheduled to begin January 1.

Geneva Conference on Refugees

Dec. 12—The 38-nation Geneva Conference on Refugees concludes 2 days of meetings on the problems of the increasing number of refugees from Indochina; there are now more than 200,000 refugees in transit camps. At the meeting, the participants did not agree to accept more than a few thousand more than their current quotas totaling 80,000 a year.

Middle East

Dec. 1—In Washington, D.C., U.S. Secretary of State Cyrus Vance discloses that the stalled Middle East peace talks will be resumed at a later date. Dec. 7—U.S. President Jimmy Carter tells newsmen in Washington, D.C., that it would be "a very serious matter" if Israel and Egypt do not agree on a peace treaty by the December 17 deadline set in the Camp David accords. Dec. 10—Secretary of State Vance arrives in Cairo to meet with Egyptian President Anwar Sadat; Vance is trying to persuade Egypt to drop her objections to a U.S. draft treaty.

Dec. 12—Secretary of State Vance goes to Jerusalem for discussions with Israeli officials; Vance won President Sadat's tentative approval of new moves to re-start the stalled negotiations.

Dec. 14—In a television interview, President Carter says that "other pressing international problems" need his attention and that Israel must act on treaty proposals.

Dec. 15—U.S. Secretary of State Vance returns to Washington, D.C., to report to U.S. President Carter.

In Jerusalem, Israeli Prime Minister Menahem Begin

reports that the Israeli Cabinet rejects the latest Egyptian treaty proposals; he says that "negotiations will resume—we cannot say when."

Dec. 19—The Israeli Parliament votes 66 to 27 to reject the latest draft peace treaty with Egypt.

The U.S. State Department announces that Israeli Foreign Minister Moshe Dayan and Egyptian Prime Minister Mustafa Khalil will meet in Brussels with U.S. Secretary of State Vance.

Dec. 24—After meeting with Dayan and Khalil in Brussels, Vance says that there had been a "useful exchange of views" and that the parties "will be in contact."

Dec. 25—Egyptian President Sadat says that his efforts toward peace in the Middle East are hindered by his lack of support from other Arab countries.

Dec. 31—Israeli Prime Minister Begin suggests that peace negotiations with Egypt could be resumed shortly.

North Atlantic Treaty Organization (NATO)

Dec. 8—North Atlantic Treaty Organization defense ministers conclude 2 days of meetings in Brussels; they urge President Carter to keep his pledge of a 3 percent annual increase rate in defense spending over the next 5 years.

Dec. 9—Speaking in London, U.S. Secretary of State Cyrus Vance assures NATO members that the U.S. is dedicated to the military and economic well-being of NATO.

North-South Dialogues

Dec. 28—Leaders of the 7 governments of West Germany, Canada, Nigeria, Australia, Venezuela, Norway and Jamaica meet in Runaway Bay, Jamaica, to discuss the problems of the world's poorer nations.

Organization of Petroleum Exporting Countries (OPEC)

Dec. 17—Meeting in Abu Dhabi, United Arab Emirates, the 13 members of OPEC end an 18-month price freeze on petroleum and increase the price of their oil by 5 percent January 1; oil prices will rise in quarterly stages 14.5 percent by the end of 1979; by October 1, 1979, the international price of oil will have risen from \$12.70 to \$14.54 per barrel.

In a statement issued by the White House, U.S. President Carter regrets "OPEC's decision and hopes that it will be reconsidered before the next steps take effect."

United Nations

(See also *Namibia*)

Dec. 22—The 33d General Assembly of the United Nations recesses until January 15, 1979.

AFGHANISTAN

Dec. 5—In Moscow, Prime Minister Noor Mohammad Taraki and Soviet President Leonid I. Brezhnev sign a 20-year treaty of friendship and cooperation.

ALGERIA

Dec. 27—Following a long illness, President Houari Bou-

mediene dies at the age of 51; he was President for 13 of Algeria's 16 years of independence.

Rabah Bitat, chairman of the Popular National Assembly, is named interim President.

ARGENTINA

Dec. 12—Representatives from Chile and Argentina end 18 hours of talks without reaching an agreement on the disputed islands in the Beagle Channel.

Dec. 23—The governments of Chile and Argentina agree to accept the assistance of a papal peace envoy, Antonio Cardinal Samoré, in negotiating their dispute.

Dec. 26—In Buenos Aires, Cardinal Samoré meets with Foreign Ministry officials.

Dec. 28—Cardinal Samoré flies to Santiago to begin talks with Chilean officials over the disputed islands.

BELGIUM

Dec. 18—Following yesterday's parliamentary elections in which no major changes were made in party strength, Prime Minister Paul Vanden Boeynants resigns.

BULGARIA

(See *India*)

BRAZIL

Dec. 29—The presidential press office announces that 122 political exiles will be permitted to return to Brazil.

CAMBODIA

(See also *Vietnam*)

Dec. 27—The government opens the ancient temple ruins of Angkor to foreign visitors for the first time in 8 years.

Dec. 28—In Washington, D.C., U.S. officials report that Minister of Information and Propaganda Hu Nim and Minister of Public Works Toch Phoeun have probably been executed because they opposed the government's economic and political programs. Neither man has been seen publicly since 1977.

CANADA

Dec. 7—Prime Minister Pierre Elliott Trudeau names Edward R. Schreyer, a Social Democrat, Governor General of Canada.

CHILE

(See also *Argentina*)

Dec. 26—President Augusto Pinochet Ugarte shuffles his Cabinet; Roberto Kelly replaces Pablo Baraona Urzúa as Minister of the Economy and José Piñera replaces Vasco Costa Ramírez as Minister of Labor.

CHINA

(See also *Japan; U.S., Foreign Policy, Labor and Industry*)

Dec. 1—In Peking, Communist party Chairman Hua Kuo-feng and Deputy Prime Minister Teng Hsiao-ping attend a reception for Chinese athletes going to the Asian Games in Bangkok. This is Hua's first public appearance since the wall poster campaign began two weeks ago.

Dec. 2—Hsinhua, the government press agency, announces that starting on January 1, 1979, its international wire service will use phonetic spellings of the Roman alphabet officially adopted in China in 1975.

Dec. 3—In Tokyo, it is announced that the Chinese government will permit Japanese firms to open offices in Peking and that Chinese companies will be permitted to open offices in Tokyo.

Dec. 4—In Peking, French Foreign Trade Minister Jean-François Deniau and Li Chiang, Chinese Foreign Trade Minister, sign a long-term trade agreement.

Yang Kung-su leaves for Hanoi as ambassador to Vietnam.

Dec. 6—In London, it is announced that 10 British banks have agreed to extend industrial development credits of \$1.2 billion to China at 7.25 percent interest for 5 years.

Dec. 16—In Peking, Chairman Hua announces that China and the U.S. have agreed to establish diplomatic relations.

Dec. 24—A memorial service is held in Peking for 2 men purged by Chairman Mao Tse-tung; they are Peng Teh-huai, a military hero ousted by Chairman Mao Tse-tung in 1959, and Tao Chu, the fourth-ranking member of the Communist party, who was disgraced in 1967.

Dec. 31—The Standing Committee of the National People's Congress of China appeals to the government of Taiwan to begin direct trade and postal service between the 2 countries.

EGYPT

(See also *Intl, Middle East*)

Dec. 5—A Foreign Ministry spokesman says that Israel's recent actions demolishing Arab houses on the West Bank were "terrorist" measures that undermine the peace movement.

Egypt breaks diplomatic relations with Bulgaria because an Egyptian diplomat was recently expelled from Sofia.

Dec. 10—Representing President Anwar Sadat in Oslo, Sayed Marei accepts Sadat's share of the Nobel Peace Prize.

ETHIOPIA

Dec. 21—It is reported that the guerrilla forces of the Western Somali Liberation Front and the Somali Abo Liberation Front are continuing to wage sporadic war against Ethiopian troops in the Ogaden.

FRANCE

(See *Intl, EEC; China*)

GERMANY, WEST

(See *Intl, EEC*)

INDIA

Dec. 19—After 7 days of debate, Parliament votes 279 to 138 to expel former Prime Minister Indira Gandhi from Parliament and send her to jail for the remainder of the parliamentary session. She is accused of harassing officials when she was Prime Minister, to prevent an inquiry into her son Sanjay's business affairs.

Dec. 26—Gandhi is released from jail.

IRAN

(See also *U.S., Foreign Policy*)

Dec. 2—Despite the government's curfew and a ban on marches, protestors clash with soldiers several times in Teheran.

Dec. 6—The U.S. government decides to permit the evacuation of U.S. military and civilian dependents from Iran at government expense.

Dec. 8—Prime Minister General Gholam Riza Azhari agrees to lift the ban on processions for the 48-hour mourning period known as Ashura.

Dec. 10—In Teheran, hundreds of thousands of anti-government protestors march peacefully through the city; there are no reports of violence.

Dec. 11—In Isfahan, the country's 2d largest city, 9 people are reported killed in clashes between demonstrators and troops.

Dec. 18—A national day of mourning for those killed in revolts against the Shah is held at the urging of exiled opposition leader Ayatollah Ruhollah Khomeini.

Shah Mohammed Riza Pahlevi asks former Cabinet member Gholam Hussein Sadighi to form a coalition government to replace the military government installed on November 7.

Dec. 21—Parliament votes to adjourn for its winter recess earlier than usual and thus delays a censure debate scheduled for next week in the lower house.

Dec. 23—In Ahwaz, the petroleum industry's operational center in southwest Iran, gunmen ambush and kill American oil executive Paul Grimm and Iranian official Malek Bouroozardi.

Dec. 25—In Teheran, the leader of the National Front, the largest anti-government political group, calls for the abdication of the Shah; Karim Sanjabi says, "The only solution is that the Shah must go."

Dec. 26—As a result of strikes by oil production workers, the government closes its export terminal in the Persian Gulf; 90 percent of Iran's oil is exported from the Kharg Island terminal.

Dec. 27—President of the National Iranian Oil Company Abdullah Entezam announces that beginning December 28 oil rationing will go into effect. The strike continues and virtually no oil is being produced.

In Teheran, anti-government forces and government troops fight day-long battles.

Dec. 28—Foreign employees of oil companies are advised by their employers to leave the country until oil production resumes.

Dec. 29—Shah Pahlevi asks opposition leader Shahpur Bakhtiar to form a new government; Sadighi's efforts to form a coalition have failed. Bakhtiar says the Shah has promised to leave Iran.

Bakhtiar is expelled from membership in the National Front.

The Shah's mother and other members of the royal family arrive in the United States.

In Washington, D.C., U.S. and British intelligence officials report that the Palestine Liberation Organization and the Libyan government have provided aid to exiled opposition leader Ayatollah Khomeini.

Dec. 30—It is reported that Iranian officials and representatives of the National Front have reached an agreement in which oil industry workers will return to work to produce enough oil for domestic consumption; in exchange, troops will be withdrawn from the oil installations and the government will promise not to resume oil exports.

Dec. 31—Anti-government demonstrations and riots continue across the country.

IRAQ

Dec. 11—Vice President Saddam Hussein arrives in Moscow on a state visit; this is the first top-level Soviet-Iraqi meeting since relations between the two countries cooled earlier in the year.

IRELAND

(See *Intl, EEC*)

ISRAEL

(See also *Intl, Middle East*)

Dec. 4—In the Israeli-occupied West Bank of the Jordan-

River, Israeli soldiers demolish 2 houses occupied by Arabs who, they claim, were relatives of guerrilla terrorists.

Dec. 8—Former Prime Minister Golda Meir dies at the age of 80.

Dec. 10—In Oslo, Prime Minister Menahem Begin accepts his share of the 1978 Nobel Peace Prize.

Dec. 17—In Jerusalem, a bomb explodes in a crowded bus; 21 people are injured.

Dec. 20—In apparent retaliation for the December 17 bomb explosion in Jerusalem, Israeli jets strafe Palestinian bases in Tyre in southern Lebanon.

Dec. 21—Palestinian guerrillas fire rockets at the northern Israeli town of Qiryat Shemona; and Israeli forces fire on the town of Nabatiye in southern Lebanon.

Dec. 27—The army removes 70 Israeli families from their illegal settlements on the West Bank of the Jordan River.

JAPAN

(See also *China*)

Dec. 5—The Nippon Steel Corporation agrees to sell China \$2.03-billion worth of equipment to build a steel mill near Shanghai.

Dec. 7—Parliament confirms Masayoshi Ohira as Prime Minister. Ohira appoints a 20-member Cabinet; Sūnoa Sonoda is retained as Foreign Minister.

KAMPUCHEA

(See *Cambodia*)

KENYA

Dec. 12—President Daniel Arap Moi orders the release of all political prisoners, including 3 former members of Parliament and Ngugi wa Thiong'o, a radical novelist and chairman of the literature department at the University of Nairobi.

KOREA, SOUTH

Dec. 12—Nationwide parliamentary elections are held.

Dec. 13—Final returns from yesterday's elections give the governing Democratic Republican party 68 of the 154 contested seats; the opposition New Democratic party wins 61.

Dec. 22—The Cabinet votes to grant amnesty to 4,000 political prisoners, among them President Park Chung Hee's political rival, Kim Dae Jung.

Dec. 27—President Park Chung Hee is sworn in as President for his fifth 6-year term.

MOZAMBIQUE

(see *Rhodesia*)

NAMIBIA

Dec. 4—Five days of South African-sponsored elections begin. SWAPO, the South-West Africa People's Organization, is boycotting the elections, saying that it will recognize only those elections sponsored by the United Nations.

Dec. 15—Final election returns give the Democratic Turnhalle Alliance, sponsored by South Africa, 82 percent of the vote.

Dec. 20—The newly elected constituent assembly opens its 1st session.

Dec. 22—The assembly votes to agree to U.N.-sponsored elections if the U.N. withdraws its recognition of SWAPO as the only authentic representative of Namibia and if the U.N. ends its financial support of SWAPO.

Dec. 27—In Washington, D.C., U.S. Assistant Secretary of

State for African Affairs Richard M. Moose, Jr., announces that South Africa has agreed to the U.N. independence plan for Namibia, including the stationing of U.N.-peacekeeping forces.

NICARAGUA

Dec. 7—President Anastasio Somoza Debayle agrees to lift martial law, release all political prisoners, and rescind restrictions on radio news broadcasts. The Broad Opposition Front threatened to end negotiations unless Somoza agreed to these demands.

Dec. 15—with congressional approval, Somoza signs an amnesty for all political prisoners.

Dec. 17—Direct negotiations begin between representatives of the government and the Broad Opposition Front.

Dec. 27—President Somoza rejects the U.S.-supported plan for internationally supervised elections.

PHILIPPINES

Dec. 5—President Ferdinand E. Marcos orders that all criminal cases are to be transferred from military tribunals to civil courts.

RHODESIA

Dec. 11—in Salisbury, a military communiqué says that recent Rhodesian air raids over Mozambique destroyed weapons depots, killed 26 people and wounded 73.

Dec. 13—Prime Minister Ian Smith says that the December 11 sabotage of Rhodesia's major bulk fuel depot by guerrillas was "one of our biggest setbacks since the terrorist war began." 26 of 28 storage tanks were destroyed.

Dec. 16—The military admits that Mozambican army bases were hit in the recent air attacks.

Dec. 27—Co-minister of Internal Affairs Rollo Hayman, a white Cabinet member, resigns from the Cabinet; he says he favors the U.S.-British plan for independence.

ROMANIA

(See *U.S.S.R.; U.S., Foreign Policy*)

SOUTH AFRICA

(See also *Namibia*)

Dec. 2—Foreign Minister Roelof F. Botha returns to Pretoria after his meeting in Washington, D.C., with U.S. President Jimmy Carter on November 30.

Dec. 5—A judicial panel issues a report on the financial scandal in the Information Ministry and says that Cornelius P. Mulder, Information Minister, must accept ultimate responsibility for the corruption.

SOUTHERN YEMEN

Dec. 27—Secretary general of the Yemeni Socialist party Abdul Fatah Ismail is elected President.

SPAIN

Dec. 6—A national referendum is held on a democratic constitution.

Dec. 7—Official election returns show that 58 percent of the electorate voted in favor of the new constitution.

Dec. 27—King Juan Carlos signs the new constitution; the constitution goes into effect December 29.

Dec. 29—Prime Minister Adolfo Suárez dissolves Parliament and calls for general elections on March 1.

TAIWAN

(See also *China; U.S., Foreign Policy, Legislation*)

Dec. 16—Referring to the U.S. decision to end diplomatic relations with Taiwan and normalize relations with Peking, President Chiang Ching-kuo says that this move has "seriously damaged the rights and interests of the government and the people of the Republic of China, but has also had tremendous adverse impact upon the entire free world."

The government postpones the parliamentary elections that were scheduled for December 23 and ends political campaigning.

TURKEY

Dec. 23—in Kahramanmaraş, a town 310 miles from Ankara, 21 people are killed and 150 are injured in fighting between rightists and leftists.

Dec. 26—Prime Minister Bülent Ecevit and his Cabinet impose martial law in Istanbul and 12 other cities in an attempt to curb the fighting between extremist political groups.

Parliament approves the government's decision to declare martial law.

U.S.S.R.

(See also *Intl. Arms Limitation; Afghanistan; Iraq; U.S., Foreign Policy, Labor and Industry*)

Dec. 5—Tikhon Y. Kiselev, premier of Byelorussia, is appointed a Deputy Premier of the Soviet Union.

Dec. 21—Tass, the government press agency, publishes details of a message from President Leonid I. Brezhnev to U.S. President Jimmy Carter about the new U.S.-China relationship. Brezhnev says he is concerned about the statement in the joint communiqué in which China and the U.S. state their opposition to "hegemony," a Chinese code word for Soviet expansionist tendencies.

UNITED KINGDOM

Great Britain

(See also *China*)

Dec. 13—The government grants independence to the Caribbean island of St. Lucia; on November 3 Dominica received her independence.

Dec. 14—The government of Prime Minister James Callaghan wins a vote of confidence in the House of Commons by a vote of 300 to 290.

Dec. 18—The Irish Republican Army claims it was responsible for the bomb explosions yesterday in 5 cities in England.

UNITED STATES

Administration

Dec. 1—Acting under the Antiquities Act of 1906, President Jimmy Carter places more than 56 million acres of federal lands in Alaska in the National Parks System, designating the lands as national monuments to remain in their present state unless Congress votes to change their usage.

Dec. 4—President Jimmy Carter meets with black leaders at the White House to discuss his fiscal 1980 budget proposals. Acting as spokesman for the black group, president of the National Urban League Vernon Jordan, Jr., says that if the fight against inflation subordinates urban programs and efforts to reduce unemployment, it will be "impossible" for blacks "to contain their despair or . . . sublimate their anger through the political process."

Dec. 5—Presidential aide Sarah Weddington announces the appointment of Nancy M. Gordon as director of the Task Force on Women.

Director of the Federal Bureau of Investigation William Webster says that he will dismiss 2 supervisors, discipline 2 others and censure 2 agents of the New York office of the bureau; the men were involved in allegedly illegal actions against radicals in the early 1970's.

Dec. 13—At a federal conference in Washington, D.C., on federal fraud, abuse and error, President Carter opens a drive to reduce the \$5.5 billion-\$6.5 billion in federal funds wasted every year in the government's social welfare programs.

Attorney General Griffin Bell releases an administration proposal urging Congress to adopt a bill requiring police to obtain subpoenas rather than search warrants when looking in newsrooms and other places where material intended for publication could be found for documentary evidence relating to crime. This is an attempt to bypass the Supreme Court decision of May, 1978, in *Zurcher v. Stanford*, which held that the First Amendment did not protect against such police searches of newsmen.

Dec. 15—The city of Cleveland, Ohio, defaults on about \$15.5 million in loans; this is the 1st major American city to fall into fiscal default since the Great Depression of the 1930's.

Dec. 27—Federal Aviation Commission chairman Langhorne Bond announces proposed new flight regulations, "the most comprehensive set of air-space regulations in history," designed to reduce the danger of midair collisions.

Dec. 28—Secretary of Health, Education and Welfare Joseph Califano, Jr., says that the administration has established a voluntary goal of a 9.7 percent increase for 1979 in nationwide hospital expenses as well as a voluntary limit on capital spending for hospitals.

Economy

Dec. 12—The U.S. Treasury Department sells bonds denominated in marks in West Germany to help stabilize the dollar in international markets; the bonds' value amounts to between \$1.25 billion and \$1.5 billion.

Dec. 13—Chairman of the Council on Wage and Price Stability Alfred Kahn announces changes in the administration's voluntary wage and pricing standards; the costs of maintaining health-care and pension plans may increase the basic 7 percent allowable wage increase a small fraction of a percentage point, and the profit margin regulation of the pricing guidelines will be tightened.

Dec. 22—The Labor Department reports that there was a rise of 0.5 percent in the consumer price index in November.

Dec. 26—Most of the nation's major banks raise their prime interest rate to 11.75 percent, following the lead of New York's Chemical Bank, which raised its prime rate to 11.75 percent on December 18.

Dec. 28—The Commerce Department reports that its index of leading economic indicators dropped 0.6 percent in November.

Foreign Policy

(See also *Intl. Arms Limitation, Middle East, NATO, China; Iran; U.S.S.R.*)

Dec. 5—The State Department issues a statement expressing U.S. concern over the "growing conflict" between Vietnam and Cambodia; the statement also hints at U.S. concern that the growing Soviet-Vietnamese relationship may hinder the normalization of U.S.-Vietnamese relations.

Dec. 6—At a White House ceremony commemorating the

30th anniversary of the Universal Declaration of Human Rights, President Jimmy Carter tells 250 representatives of human rights organizations that "Our country will do its utmost to ease the plight of stranded refugees from Indochina and Lebanon and of released political prisoners from Cuba and elsewhere."

Dec. 7—The Defense Department announces that government dependents, both military and civilian, may leave Iran during the political turmoil there; the U.S. will pay the travel expenses.

Dec. 8—Treasury Secretary W. Michael Blumenthal arrives in Bucharest, Romania, with a message of support from President Carter for the independent actions of Romanian President Nicolae Ceausescu.

Dec. 9—Blumenthal meets with Ceausescu in Bucharest.

Dec. 12—At a White House news conference, President Carter says that Iranian Shah Mohammed Riza Pahlevi "has our support and he also has our confidence."

Dec. 15—In a televised speech from Washington, D.C., President Carter announces that on January 1, 1979, the U.S. will establish mutual diplomatic relations with the People's Republic of China; at the same time, the U.S. will terminate diplomatic relations and the 1954 Mutual Defense Treaty with Taiwan (the Republic of China). The U.S. will withdraw its remaining forces from Taiwan within 4 months.

Dec. 17—State Department chief legal adviser Herbert Hansell says that all "existing agreements with Taiwan, cultural, commercial and others, will continue in effect except for . . . the defense treaty."

Dec. 19—The Coca-Cola Company announces that it will start selling Coca-Cola in China in January, 1979.

President Carter says he received a message from Soviet President Leonid Brezhnev that was "very positive in tone" with regard to the U.S. decision to establish diplomatic relations with China.

Dec. 21—State Department spokesman John Cannon announces that Deputy Secretary of State Warren Christopher will go to Taipei, Taiwan, to discuss the unofficial relationship between the U.S. and Taiwan.

Dec. 27—Angry Taiwanese pelt the motorcade of Deputy Secretary of State Warren Christopher with vegetables and paint in Taipei in a protest against the U.S. decision to sever diplomatic relations with Taiwan.

Dec. 29—Deputy Secretary of State Warren Christopher concludes 2 days of talks in Taipei, Taiwan; tensions between the U.S. and Taiwan are not resolved.

Administration sources report that the carrier *Constellation* has been ordered to proceed from the Philippines to the South China Sea, only a 2-day trip from Iran, because of the critical Iranian situation.

Dec. 30—Chief of the U.S. liaison office in Peking Leonard Woodcock says that Chinese Deputy Prime Minister Teng Hsiao-ping will visit the U.S. starting January 29.

Dec. 31—U.S. Ambassador to Iran William Sullivan recommends that the dependents of Americans working in Iran leave at least temporarily.

The State Department announces that the U.S. and the Philippines have agreed on new arrangements for economic and military aid to the Philippines and for U.S. military bases there; the agreements are amendments to the agreement expiring in 1999.

Labor and Industry

Dec. 1—The Association of Western Pulp and Paper Workers files suit in U.S. district court in Portland, Oregon, challenging the constitutionality of President

Jimmy Carter's voluntary guidelines for wages and prices; the union claims that the guidelines are really mandatory controls and that Congress has given the President no mandate to impose such controls.

Dec. 7—A high-level U.S. trade delegation headed by Treasury Secretary W. Michael Blumenthal and Commerce Secretary Juanita Kreps concludes 4 days of talks in Moscow with Soviet officials and some 400 American businessmen assembled in Moscow for the U.S.-U.S.S.R. Trade and Economic Council gathering.

Dec. 18—Pan American World Airways asks the Civil Aeronautics Board for permission to begin service between San Francisco and Peking as soon as possible.

Dec. 19—The Boeing Company reports that China has purchased 3 Boeing 747 SP jumbo jets, costing \$156 million, for delivery in 1980.

Legislation

Dec. 18—The Senate Select Committee on Ethics votes 4 to 1 to subject Senator Herman Talmadge (D., Ga.) to a full hearing because it has "substantial and credible evidence" of "possible improprieties" in his use of funds.

Dec. 22—Senator Barry Goldwater (R., Ariz.) and 14 other members of Congress file suit in U.S. District Court in Washington, D.C., to halt President Carter's planned termination of the 1954 mutual defense pact between the U.S. and Taiwan, claiming that the Senate must approve the termination of a treaty as well as its acceptance; the treaty will terminate 1 year after President Carter officially announces its termination on January 1, 1979.

Dec. 30—Ending its 2-year, \$5.8 million inquiry into the deaths of President John Kennedy and civil rights leader Martin Luther King, Jr., the House Select Committee on Assassinations concludes that President Kennedy "was probably assassinated as the result of a conspiracy," but is "unable to identify the other gunman or the extent of the conspiracy."

The committee also concludes that "there is a likelihood" Martin Luther King, Jr., was assassinated "as the result of a conspiracy." The committee is critical of the previous investigations into the 2 killings.

Political Scandal

Dec. 30—The House Ethics Committee issues its final report saying that although it lacks direct proof, it believes that the South Korean government attempted to influence members of Congress with cash gifts from South Korean businessmen like Tongsun Park.

Politics

Dec. 8—President Carter addresses 1,633 delegates to the Democratic party's midterm issues conference in Memphis, asking for support for his anti-inflation measures and the ratification of the expected strategic arms limitation treaty (SALT) with the Soviet Union.

Dec. 12—President Carter tells a Washington, D.C., news conference that his differences with Senator Edward Kennedy (D., Mass.) do not indicate a rift in the Democratic party; the Senator has attacked the President's budget proposals.

Science and Space

Dec. 9—4 instrument probes from Pioneer Venus 2 reach the surface of Venus and radio back data. Pioneer Venus 2 was launched August 8 from Cape Canaveral, Florida, and traveled 220 million miles; Pioneer Venus 1 has been in orbit around Venus since December 4.

Supreme Court

Dec. 18—In a unanimous decision, the Supreme Court decides that one state must ordinarily honor the request of another state for extradition of a fugitive; it cannot block the request until it has completed its own investigation into the basis for the request. The ruling comes in the case of *Michigan v. Doran*.

VENEZUELA

Dec. 3—Nationwide presidential elections are held.

Dec. 4—Official election returns give Luis Herrera Campins, a member of the opposition Social Christian party, 46 percent of the vote; his opponent, Luis Piñerúa Ordaz of the Democratic Action party, wins 43 percent of the vote.

VIETNAM

(See also *U.S., Foreign Policy*)

Dec. 2—In Washington, D.C., U.S. government sources say Vietnamese troops defeated Cambodian troops on November 18 and 19 near the Cambodian border town of Snuol, north of Tay Ninh Province.

Dec. 3—Hanoi radio announces the formation of a Kampuchean United Front for National Salvation in what it calls a "liberated zone" of Cambodia. The front reportedly asks the people of Cambodia "to rise up for the struggle to overthrow the Pol Pot and Ieng Sary clique."

Dec. 14—Vietnamese troops are reported within 25 miles of Kratie, headquarters of Cambodia's northeastern region.

ZAMBIA

Dec. 12—Nationwide presidential elections are held.

Dec. 14—President Kenneth D. Kaunda wins nearly 80 percent of the votes cast and returns to office for his 4th five-year term. He had no opposition and voters indicated "yes" or "no" on their ballots. ■

NICARAGUA IN CRISIS

(Continued from page 84)

Open support for Somoza's removal has come from the governments of Costa Rica, Venezuela and Panama. In addition, on November 26 in Lima, Peru, trade union groups belonging to the Inter-American Regional Organization of Workers (ORIT)—to which the United States American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) belongs—voted to organize a maritime shipping boycott against Nicaragua, Chile and Cuba because of the repression of labor rights in those countries.

Anastasio Somoza Debayle is a brilliant and crafty political strategist; he may allow more political participation in his government, but he and his supporters are not likely to change the economic status quo because they are its principal beneficiaries. Nonetheless, unless political and economic changes are accepted, growing numbers of individuals, groups, and governments will offer moral and material support to the anti-Somoza guerrillas in order to topple Somoza. ■



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